



Mr. PU YI (former Manchu Emperor) Chief Executive of Manchukuo

A VISIT TO MANCHUKUO

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PREFACE.

The articles in this Volume, which appeared daily in the *Shanghai Evening Post and Mercury* in October and November, 1932, have been reprinted at the request of a number of readers of that paper. They record my observations during a visit of four weeks to Manchuria. Owing to the interruption of railway communications beyond Harbin I was unable to visit Tsitsihar. I spent several days at Dairen, Mukden, Changchun, and Harbin, returning to Shanghai via Tientsin and Peiping.

Throughout my trip I was given every possible facility for my investigations by the Japanese authorities, and the officials of the South Manchuria Railway. I secured what was probably the longest interview ever given to a foreign journalist with Mr. Pu Yi, the Chief Executive of the new State, and have faithfully recorded his statements to me on that occasion. Contrary to current belief I was not accompanied by any Japanese when I visited Mr. Pu Yi, nor did I see a Japanese on the premises except in a single member of the Bodyguard at the entrance to his residence.

I sought to obtain the considered views of representative Japanese, Foreigners and Chinese. But for obvious reasons it is not very easy to get into close touch with the last-named, who are extremely shy of voicing opinions on political questions.

Since my visit the Japanese Delegation has removed to Changchun, and the Su Ping-wen revolt has been suppressed. Japanese forces now occupy the Chinese Eastern Railway from Harbin to Manchuli.

The brutal murder of Mrs. Woodruff bore out my views on the situation at Harbin, but will, it is hoped, result in the reorganization and strengthening of the Police Force. Just as this volume is going to press news comes of the resumption of formal diplomatic relations between China and Soviet Russia. It is too early, as yet, to predict the consequences of this development, which may, however, be far-reaching, and, contrary to the hopes expressed by both parties, add further complications to the Manchurian problem, instead of promoting a peaceful solution.

H.G.W.W.

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CHAPTER I

THE NEW CAPITAL.

I spent several days at Dairen and at Mukden on my way to Changchun (Hsinking), but for various reasons it seems best to start this series of articles from the new Capital of Manchukuo. For one thing, many of the questions I put when in search of information in these two cities could only be definitely answered by one of the Government Departments. Further, it seems more logical to state in the first instance what the new Government is attempting to do, and subsequently to show how far it has succeeded—or failed.

Changchun is the Northern terminus of the South Manchuria Railway, the Southern terminus of the Chinese Eastern Railway, and the Western terminus of the Railway to Kirin and Tunhua. It is a large straggling town. In the immediate vicinity of the S.M.R. station is the large Japanese Concession, with broad asphalted streets, beautiful park and numerous modern brick and stone buildings. The Chinese Quarter, which lies to the East and South-east of the Concession presents a sad contrast to the latter. Some of the roads have been widened, but as yet little has been done towards surfacing them. They are veritable quagmires in wet weather. There are few modern buildings except those which have been constructed, or have started construction, since the city became the official Capital. In many respects the situation resembles that of Nanking after the transfer of the Capital of the Chinese Republic from Peiping. There are insufficient buildings for government offices and official residences, and the State officials have to work in improvised offices, under cramped and uncomfortable conditions. Much new building is in progress, but it will be some months before a marked improvement in the provision of official accommodation will be achieved.

FEW MOTOR CARS

There are now a number of motor-cars—official, private and public—in Changchun, but the public still has to rely for the most

part on ramshackle pony-drawn conveyances of the Russian type. The only foreign hotel is the Yamato, owned and operated by the South Manchuria Railway, and it compares unfavourably with those of the same name in Mukden and Dairen. Few if any of the rooms have bathrooms attached.

And the hotel is always over-crowded. Even if one books accommodation several days in advance it is not certain that one will obtain a room to oneself. I had to share one with another journalist the first night, and several passengers, who came up by the same train, and had not booked accommodation in advance, were only able to secure beds in the "dormitory"—the tea-room on the ground floor. Japanese—official and unofficial—are constantly coming and going, and occupy most of the rooms available.

FEW REAL FOREIGNERS

There are few resident foreigners in Changchun other than Japanese and Russians. The latter operate a number of small stores, restaurants, etc., and undertake some forms of labour. There must be a large Japanese community—one estimate places it at 13,000. On the first morning of my stay, as I came down to breakfast I saw processions of several hundreds of Japanese school-children of both sexes, waving Japanese and Manchukuo flags, making for the railway station. Curiosity prompted me to go over to the terminus to see what was afoot.

I found the departure platform of the Dairen train packed with Japanese children, waving flags; and inquiries revealed the fact that they had assembled to bid farewell to Changchun's quota of the Manchukuo school-children who were proceeding to Japan to return the recent visit of Japanese children.

The dozen or so child-delegates, most of them Chinese, arrayed in new clothes and waving embroidered banners, stood on the back platform of the observation car, and deafening cheers, which almost drowned the strains of the band that was in attendance, were raised as the train steamed Southwards.

There are few modern industries in Changchun. The only important ones are the Chinese and Japanese Match factories, and the Manchuria Flour Mill.

It seemed strange that Changchun with its inadequate accommodation, should have been selected as the Capital of the new State



Office of the Chief Executive, Manchukuo.

in preference to Mukden, with its Palaces, spacious office buildings and more adequate hotel and residential accommodation. Various reasons have been given to me for this choice. In the first place there was the factor of provincial jealousy. If Mukden, Capital of Fengtien Province had been selected, Kirin and Tsitsihar would have had cause for complaint. Furthermore, it was considered inappropriate that the new Chief Executive, the former Manchu Emperor, should use as his residence a palace formerly occupied by Marshal Chang Hsueh-liang.

I suspect, moreover, that one of the reasons for the selection of Changchun was that there was likely to be less open hostility on the part of the population, many of whom (in Mukden) had owed their livelihood to the Chang Hsueh-liang regime.

A PERMANENT CAPITAL

So far as can be seen the choice of Changchun is permanent. The buildings now being erected both for Government Offices and for the residence and offices of the Japanese Ambassador involve an expenditure which would be quite unjustifiable if Changchun were only to be a temporary Capital.

Officials of the new regime complain that living is costly and uncomfortable, at present. Except for the golf course which cannot on account of climatic conditions be used for more than six or seven months in the year, there are few facilities for recreation.

A prolonged residence in the hotel would, I imagine, be most depressing, and foreigners tell me that it is virtually impossible at the moment, to get a foreign-style residence, either in the Chinese or the Japanese Quarter.

Changchun is about eleven hours by rail from Dairen, five hours from Mukden, and seven or eight hours from Harbin. Weather permitting, however, six-passenger airplanes make the journey between Changchun and Harbin daily except Sundays, in approximately an hour and a half. Thrice a week the 'plane goes on to Tsitsihar. And there are also air-services between Mukden and Changchun, and between Tunhua, via Kirin. The fares are considerably lower than the first-class railway expresses, and except when the military require seats, the air services are at the disposal of the ordinary public.

CHAPTER II

AN INTERVIEW WITH THE CHIEF EXECUTIVE.

The Officer of the new State whom I was most anxious to see at Changchun was the Chief Executive, the former Manchu Emperor, with whom I had been on terms of close personal friendship for several years, in Tientsin. In Shanghai and even in some foreign circles in Manchukuo, the idea prevails that Mr. Pu Yi can only be seen by visitors for a restricted time, in the presence of a Japanese interpreter, and that interviewers are only permitted to ask innocuous questions to which he gives equally innocuous replies.

I was met on my arrival at Changchun on the night of September 29, by a young Chinese official of the Foreign Office, who speaks Chinese, English, Russian and Japanese with equal fluency. And he informed me that Mr. Pu Yi had heard of my coming and would be pleased to receive me at 10.30 a.m. next day.

This Official, Mr. Yu Hsiao-lan, called for me soon after ten o'clock and escorted me to the Chief Executive's residence, which is the building formerly used by the Salt Administration. On arrival there I was shown into the official reception room, where I met an old friend in General Tung, chief of the personal bodyguard. I was informed that as Mr. Pu Yi was suffering from some slight infection in one of his feet, he could not walk far, and that I would therefore be received in his private sitting room. Thither, after a few minutes' waiting, I was conducted, escorted only by Mr. Yu.

PROPHECY FULFILLED

The former Emperor greeted me with obvious pleasure, and had scarcely invited me to be seated before he remarked that on one of the last occasions on which I had seen him, in October 1930, at a private lunch in Tientsin, I had remarked that perhaps next time we met he might not be so accessible; that I might have to invoke the assistance of a Foreign Office Official. "You see," he observed, "that your prophecy has been fulfilled." After I had inquired after the Empress, and he had asked for information regarding several of

his former foreign friends in Tientsin, I asked whether I might put some unusually frank questions to him. He answered that I might ask him anything that I liked.

I then said that it would be of interest to many of his friends to know whether he was really happy in his present position. He replied with emphasis, that he was.

Was he busy?

Not, he said, so busy at the moment as he was a few months ago. The administrative machinery was now better organised, and though he devoted a considerable portion of every day to State business, he was not too busy to find time to see his friends.

PLEDGES VIOLATED.

I then remarked that the general impression that prevailed in Shanghai and indeed throughout China was that he had been coerced into his present position, and that he was not a free agent.

From this report he emphatically dissented. He maintained that he had been actuated by a double motive in accepting the office of Chief Executive. First, on account of political reasons. When the Manchu Dynasty abdicated it had been with the avowed intention of restoring the sovereignty to the people. Twenty years had elapsed since, but what had been the result? That political power had passed into the hands, not of the people, but of ambitious and grasping militarists. There had been incessant civil war and disorder. The welfare of the people had been entirely disregarded. They had been tyrannized over and oppressed. China's relations with Foreign Powers had grown steadily worse. And the pledge made in the Abdication Treaty that absolute equality would be maintained between the five races of China had been flagrantly violated.

Secondly, he was actuated by personal motives. Manchuria was his ancestral home. It was only natural that he should feel greatly interested in what was happening in this territory. Moreover, every undertaking to the Manchu Dynasty contained in the Abdication Agreement had been wantonly violated. The allowance to be paid to him by the State had been cancelled. His private property had been confiscated. He had been treated with studied disrespect by the Kuomintang. And the Ancestral tombs had been violated, and no serious attempt made to secure the restoration of the treasures stolen from them.

OFFERED HUGE SUM

It was only natural, therefore, that when trouble occurred in Manchuria he should follow developments with great attention and wonder whether he was not destined to play some part in an attempt to improve the condition of his ancestral provinces. Emissaries of the separatist movement called upon him in Tientsin and urged him to proceed to Manchuria. And at last he felt that if he were ever to go he must go forthwith, or he might find it impossible to leave.

The possibility of a restoration movement was obviously known to and feared by General Chiang Kai-shek, who offered temporarily to restore the conditions of Favourable Treatment if he (Pu Yi) would repudiate it. He intimated, however, that material considerations would not influence him; that the Republican Government could best fulfil its responsibilities by concerning itself with the welfare of the people, by giving them good government, and by restoring internal peace. If it had Tls. 4,000,000* to spend, let it spend that sum on relieving existing poverty in China.

When he decided to leave Tientsin for Manchuria he did not even take the Japanese Consul General into his confidence.

DENIES KIDNAPPING STORY

"Then the story that you were kidnapped and sent to Port Arthur under Japanese escort on a destroyer is not true?"

Mr. Pu Yi, who understands English quite well, threw back his head and roared with laughter. "Kidnapped?" he said, "Kidnapped? No, No."

I told him that that was the version of his departure from Tientsin that was widely current and generally believed, and asked whether I might be told the actual details of his movements.

Mr. Pu Yi, replied that his movements had had to be kept secret for two reasons: first, because his departure from Tientsin might have been frustrated; secondly, because he would have been in considerable danger of assassination had his whereabouts been revealed.

He left Tientsin just as the trouble between the Japanese and

* The amount of the Emperor's annual pension, as stipulated in the Abdication Agreement.

Chinese in that City started, and travelled direct to Yinkow (Newchwang) on the steamer *Awachi Maru*. He left a letter behind to be delivered to the Japanese Consul-General informing him of his departure, and asking him to afford adequate protection to the Empress (who remained in his residence in the Japanese Concession) when she followed. From Newchwang he proceeded to Tang Kung Tzu, (the hot springs between Liaoyang and Tashihchao), where he remained only a couple of days, returning to meet his wife at Port Arthur. She also travelled on an ordinary steamer. The next few weeks were spent at that centre where he amused himself by studying the siege operations in the Russo-Japanese War, and visiting the ruins of the former Russian fortifications. He and his wife then returned to Tang Kung Tzu, where they lived quietly until he proceeded to Changchun. When he was convinced that it was his duty to go North and assume the office of Chief Executive, he went straight through to Changchun by train. At no time in Tientsin, in the Leased Territory, or in Manchuria was he ever under any restraint, nor was any coercion applied to him.

TALKED WITHOUT RESTRAINT

The former Emperor emphasized that I had seen from my own experience how nonsensical the stories told about his position in Changchun were. Here we were, talking without restriction, with only a young Chinese present, who made no attempt to direct the course of conversation, and who only interpreted my remarks and questions when Mr. Pu Yi did not understand them, with no Japanese within hearing, and absolutely no restriction upon the topics discussed. Could I, he asked really believe that he was virtually a State Prisoner under such conditions?

I asked his views on the Government of Manchukuo, and he at once replied that he favoured the adoption of the Wang Tao doctrine, based upon the teachings of Confucius. "Heaven" he said, "did not divide people into nations, but regarded them all as human beings and desired peace between them, and love. Competition and strife between nations only led to war and intense suffering. Confucius taught that Governments should rule honestly, observe the golden rule to each other, and work for humanity and peace. That crystallized the Oriental spirit. That was the spirit in which Manchukuo had issued its declaration of independence. We are opposed to racial and national animosities. That is why we call this the Ta Tung ("Great Equal") era. We

should like to have the friendliest relations with Great Britain and all the other Powers. And we believe that we can contribute towards the realization of world-peace. Our domestic policy will aim at making it possible for the people to lead peaceful and happy lives. We shall have no political parties in the new State. They only make for disharmony. We shall do our utmost to show ourselves trustworthy in our foreign relations. I hope that the people of your country (Great Britain) will understand and appreciate our attitude. We shall welcome the investment of their capital in enterprises in Manchukuo. We shall be pleased to have them come and dwell among us. For many years I had a British Tutor (Sir Reginald Johnston), and I therefore acquired some knowledge of British history and civilization and principles. Therefore I have a special interest in fostering friendly relations between Great Britain and Manchukuo. Your Sovereign, King George, has already been acquainted with my views."

BANDIT SITUATION GRAVE

Mr. Pu Yi admitted the gravity of the bandit situation, but said that though recently aggravated, by external influences, it was not a new problem. The Japanese Military authorities had promised to give all the assistance in their power to eliminate this evil. In this connection he paid a very warm tribute to General Muto, the Chief of the Japanese Delegation to Manchukuo. Very friendly personal relations had been established between them as a result of General Muto's recent visit to Changchun to extend his Government's formal recognition to Manchukuo. And he felt confident that General Muto would help to smoothe over past and present difficulties.

Mr. Pu Yi informed me when I arrived that he would be at my disposal until noon, and that he had ordered luncheon to be prepared for me, but that owing to the fact that he was on diet in consequence of his infected foot he would not be able to share the meal. He handed me over, however, to his younger brother, the former Prince Pu Chia, and then bade me farewell.

NOW PERFECTLY HAPPY

I had asked, at one stage of the interview, whether his large thorough-bred British mastiff "Ponto"—whom I facetiously called "Mr. Ponto" had accompanied him to Changchun, and he told me

that he had. Towards the end of lunch the door opened and my host entered saying "Here is Mr. Ponto to see you." The enormous animal stalked solemnly into the room and lay down beside me. I reminded him that he had once promised me one of Mr. and Mrs. Ponto's progeny, and that I had always been fearful that he would redeem his promise as I had no idea how I could house, much less feed, such a huge beast.

Mr. Pu Yi then took a chair near the table and plied me with further questions about former friends, in Tientsin.

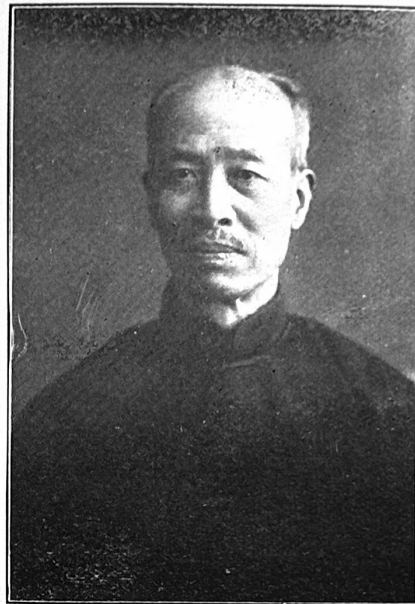
After lunch he once more took me upstairs, where he presented me with his latest photograph and bade me revisit him at the earliest opportunity: Almost his last remark was that perhaps I had been able to convince myself by now that he was perfectly happy in his present Office.

CHAPTER III

AN INTERVIEW WITH THE PRIME MINISTER.

My second official interview in Changchun was with the Prime Minister of the Manchukuo Government, Mr. Cheng Hsiao-hsu, also an old friend of my Tientsin days. I had often met him previously in the former Emperor's company, and had also made the acquaintance of his elder son. Mr. Cheng is one of the foremost living Chinese scholars. He is famed throughout China both for his calligraphy and for his poetry. From the Peking days he has been one of Mr. Pu Yi's Tutors. He is a sturdy loyalist, who has refused all offers of employment under the Republic, and consistently declined to accept any remuneration for his services to the ex-Emperor during the latter's residence in Tientsin, although he was a poor man.

Mr. Cheng received me at the Cabinet Office, and his son, Mr. Cheng Chen, who speaks English quite well, was also present. They both welcomed me to Changchun and recalled details of previous meetings. And then, without any prompting on my part the Prime Minister confirmed the story of the former Emperor's departure from Tientsin, with some additional details. He told me that he and his son received an urgent message to appear at a certain rendezvous, dressed in foreign clothes, on the night of November 10. There they found Mr. Pu Yi, and accompanied only by a single servant made their way to the Bund, where they embarked on a motor launch, which took them to Tangku. Fighting had broken out in the Japanese Concession that night, and the launch was fired on several times on the way down river. To avoid any possibility of interference Mr. Pu Yi decided to board the *Awachi Maru* outside the Bar. But the sea was rough. The Ex-Emperor and his servant, who had never been to sea before were terribly sick, and both were in a state of collapse when they reached the steamer and boarded her. Mr. Cheng (who is in his 73rd year) laughed merrily as he told me that he had never in his life donned foreign clothing previously, and had none. He, therefore, had to borrow a suit from his elder son who is considerably shorter and stouter than himself, and this clothing he had to wear for the next



Mr. CHENG HSIAO-HSU,
Premier of Manchukuo.



Mr. HSIEH CHIEH-SHIH,
Foreign Minister of Manchukuo.



General N. MUTO



MARSHAL CHANG HSUEH-LIANG

three weeks. He explained graphically the shortcomings of raiment for a shorter and fatter man and the discomfort he suffered from having to wear it.

A DIFFICULT TASK

Referring to the present position of Manchukuo he stated that he was confronted with an extremely difficult task. The Three Provinces had been very badly administered. Banditry, which was a serious problem in former years, had recently increased. But he was confident that with General Muto's assistance this menace would ultimately be disposed of. Banditry at the moment was the most serious problem confronting the new State. The financial outlook, on the other hand, was not unfavourable. The establishment of the new Central Bank had already done much towards stabilizing the currency.

It was his opinion that the bandit problem had now been solved to the extent of 60 per cent. The present activities of the bandits were in large measure due to the malicious intrigues of General Chang Hsueh-liang.

Mr. Cheng Chen here interposed to remark that if I had noticed how the leading officials and even wealthy merchants and bankers went round in Shanghai, with escorts of Russian guards I might be interested to see how his Father moved about in Changchun. He never had any escort but his chauffeur.

The Prime Minister, in reply to further questions, stated emphatically that no settlement of Sino-Manchukuo differences would be acceptable that involved the recognition of Chinese sovereignty over the new State in any form. He repudiated as a mischievous canard the alleged threat of the Minister for Foreign Affairs to withdraw treaty privileges from the nations of States which did not accord formal recognition to Manchukuo.

Two Japanese—one of whom was an interpreter, attended all Cabinet meetings, which were held every Monday.

Jehol he considered an integral part of Manchukuo. General Tang Yu-lin had representatives at Changchun, but seemed to be sitting on the fence. If necessary—but he hoped this would not be the case—force would be employed by Manchukuo to bring about his submission.

As regards the opium problem, the Prime Minister favoured a ten-year plan, divided into three periods, for complete suppression.

The opium question was at present being handled by the Minister of Finance, with the Vice-Minister of Civil Affairs as his second in command but in his (the Prime Minister's) opinion, it ought to be in the hands of the Minister of Civil Affairs, with the Vice-Minister of Finance to assist him.

FOR CIVIL AVIATION

A project was now being worked out for the development of civil aviation on a semi-official basis, half of the capital being subscribed by the Government, and the balance by private subscription.

Mr. Cheng admitted that the Manchukuo Army presented a difficult problem. The troops taken over by the new State had been irregularly paid, were badly disciplined, and could not be regarded as wholly reliable. It was hoped, gradually, to improve their discipline and efficiency, but it would not be an easy process.

Mr. Cheng stated that the British Empire was great and Manchukuo was small—so small, in fact as not to attract much attention in Great Britain. But it was necessary for Great Britain to consider the China question. It was his hope that under the new regime a government so efficient and prosperous would be evolved in Manchukuo that eventually China herself would seek to come under the rule of the Chief Executive.

This statement prompted me to ask whether the Prime Minister envisaged a Monarchy over Manchukuo.

His reply was that at the moment Manchukuo was neither a Monarchy nor a Republic. It was difficult to say what would be the final form of Government of the new State.

CHAPTER IV

INTERVIEW WITH THE FOREIGN MINISTER.

I was received by Mr. Hsieh-Chieh-shih, Foreign Minister of the Manchukuo Government, in the building of the Foreign Office, next morning. He told me that he would be delighted to give me any information in his power and invited questions. I asked him in the first place whether it was true, as reported in the *Asahi*, recently, that it was the intention of the Manchukuo Government to abolish the Treaty privileges of the nationals of all States which did not extend formal recognition to the Government of Manchukuo.

Mr. Hsieh stated that this statement, which had been attributed to him, was entirely wrong. "In a declaration issued when the Government of Manchukuo was established, we declared that all Treaties with the Foreign Powers would remain effective. We intend to keep faith with the Foreign Powers. We intend to maintain the policy of the Open Door and equal opportunity. To speak quite frankly, there was a misunderstanding regarding my statement. Japan has recognized the new State, but we would like to have friendly relations with all of the Foreign Powers.

"At present we really cannot ask anything from them because we have nothing to show. We have only been in existence about six months, and have not yet made much headway. In the future, when we have definite results to show in the way of achievements, we desire to have the friendship of all nations. If they reject our friendship, however, it is going to make matters rather difficult. That, however, is entirely a question of the future. There is no question at the moment of treating Foreign Powers as non-Treaty Powers. We shall not be surprised if we do not get immediate recognition."

STUDYING FOREIGN DEBTS

Were any steps being taken to secure recognition? I asked.

Mr. Hsieh replied: "No definite representation have yet been made. We have however, appointed a special Commission to settle the question of the foreign debts incurred by the former militarist

regime. The amount of these debts is not yet known. All claims must naturally be carefully studied, and after investigation the sums justly due will be paid. The Foreign Office will urge this Commission to press on with the work as soon as possible."

Asked whether in the case of aeroplanes and other articles seized by the Japanese, the Japanese Government would not assume financial responsibility the Foreign Minister replied that he could not make any definite statement. The fact that a Commission had been appointed, and that the Manchukuo Government intended to pay the amounts it found to be due to foreign firms, proved the sincerity of its intentions.

I then inquired what was the attitude of the Manchukuo Government to America and Great Britain.

"UNBELIEVING SICKNESS"

Mr. Hsieh's answer was that both Governments appeared to be suffering from "unbelieving sickness." They imagined that between Manchukuo and Japan there were connections which did not in fact exist. Take for example the position in Changchun. There were many Japanese Geisha restaurants here, but the food was bad and expensive, and Chinese who liked foreign food preferred to go to the Russian restaurants, where the food was good and cheaper.

Pointing to the cigarette he had just given me, (a B.A.T. "Commander" brand), Mr. Hsieh added: "How many Chinese smoke Japanese cigarettes? Japanese cigarettes are not good. They prefer the B.A.T. smokes."

Might I then assume, I asked, that it was not the intention of the Manchukuo Government to imitate the Japanese Tobacco Monopoly system?

"The financial situation in Manchukuo," replied the Minister, "is not bad. No Monopoly policy is contemplated at the moment. Probably there will be no necessity, from a financial point of view, to introduce a Monopoly. If, as we expect the financial position of the State improves, a Monopoly is not likely to be introduced."

I next asked the attitude of the Manchukuo Government towards the Lytton Commission.

Mr. Hsieh replied that it had visited Changchun, and had been welcomed, but not in the capacity of a Commission of Inquiry.

When it had been appointed Manchuria was still considered a part of China, and a dispute had arisen regarding this territory between China and Japan. But when it reached the Far East, the situation had entirely changed. Manchukuo had proclaimed its independence. And though the State officials were willing to explain to Lord Lytton and his colleagues how the new State would work, they declined to regard them as authorized investigators. They said, in effect, "we will not consider your Report effective, so far as we are concerned. We are not going to accept any instructions from the League of Nations."

Relations with Russia, said the Foreign Minister, were peaceful. The new Government intended to concentrate upon maintaining the Open Door policy and avoiding any form of discrimination.

AN INTERNAL QUESTION

To the question what would be the Government's attitude towards Extraterritoriality, Mr. Hsieh replied: "This is really an internal question. No doubt when we have revised our judicial system it will be automatically settled. We should, of course, lose face if extraterritoriality were introduced after the establishment of the new State. But it was in existence when Manchukuo came into being. And if we should succeed in giving Manchukuo a better judicial system than that of other Powers, it is they, not we, who will lose face if extraterritoriality is not abolished. Extraterritoriality is not a main or an urgent question."

Finally I asked the attitude of the Government towards the San Min Chu I.

The reply of the Minister was that they were strongly opposed to the Three Principles. They were not circulated in Manchukuo. It was better to govern on one sound principle that could be enforced than to adopt numerous principles which could never be accomplished.

CHAPTER V THE CURRENCY QUESTION.

One of the gravest of the delinquencies of the late regime in Manchuria was the reckless depreciation of the currency. I was therefore naturally interested to find out what steps, if any, had been taken by the Government of Manchukuo to stabilize the currency of the State. The new Central Bank of Manchukuo came into existence on July 1. And as the methods by which the Government is attempting to solve the currency problem are of general interest, it seems desirable to publish translations of the new Currency Law, and the Regulations Governing the Re-adjustment of the Old Currency in full. Otherwise the explanations I obtained from Mr. Washio, Director of the Central Bank, will be unintelligible.

Before so doing, however, I may mention that the Central Bank is capitalized at \$30,000,000, half of which is contributed by the Government, and the balance by the general public. The Bank has been formed by amalgamating the Bank of the Three Eastern Provinces, the Kirin Provincial Bank, the Heilungkiang Provincial Bank, and the Frontier Bank. The Central Bank is to have the exclusive right of minting new coins and issuing notes. The latter are in denominations of \$100, \$10, \$1, and 0.50 cents. Gold Yen 20,000,000 was borrowed from the Bank of Chosen as a Reserve Fund for the note issue (the legal reserve is 30%) at 5% interest, repayable in annual instalments of Yen 2,000,000. The Bank has received a five year Charter, renewable at the Government's option.

Appended are translations of the principal laws relating to currency:

CURRENCY LAWS (*Translation*):

1. The right of minting and issuing coins belongs to the Government. The Government shall instruct the Central Bank of Manchuria to carry it out (hereafter it shall be named as the bank).
2. The standard value of (the coin) shall be 23.91 gramme pure silver which shall be known as "Yuan."

3. The coin shall be on the decimal system. One tenth part of the coin shall be a "Chio" (ten cent piece); one hundredth part of it shall be a "fen" (one cent); and one thousandth part of it shall be a "Li."

4. The denominations of the currency are nine which are as follows:—

Paper notes: \$100.00, \$10.00, \$5.00,
\$1.00, \$0.50.

Nickel coins: \$0.10, \$0.05.

Copper coins: \$0.01, \$0.005.

5. Notes shall be circulated as legal tender to unlimited amount; coins shall to one hundred times of their face value be legal tender in the circulation.

6. The order and weight of the coins shall be as follows:—

1. The total weight of a nickel \$0.10 is 3 gramme.
(The proportion is nickel 25 and copper 75).
2. The total weight of a nickel \$0.05 coin is 2 gramme.
(The proportion is nickel 25 and copper 75).
3. The total weight of a copper \$0.01 coin is 35 gramme.
(The proportion is copper 95, tin 4 and lead 1).
4. The total weight of a copper \$0.005 coin is 25 gramme.
(The proportion is copper 95, tin 4 and lead 1).

7. Regarding the design of the coin, its manufacture and issuance, the exchange of the damaged for new ones and its cancellation, provisions shall be made by the Government separately.

8. Heavily soiled, defaced and damaged currency may be exchanged for new ones at par at the banks without charges.

9. Coins on which the designs are indistinguishable, stamps have been privately impressed and which have been purposely damaged, shall be considered as having lost its validity as currency.

10. When the head and branch offices of banks request the exchange of the paper notes for silver, at their option silver bullion (silver ingots and silver dollars included) or silver draft notes payable in foreign countries shall be given. The rate of exchange shall be fixed by the Government.

11. When head and branch offices of banks request paper notes from the bank on bullion of silver or gold, the request shall be granted, silver bullion shall be accepted and notes issued. The rate of exchange shall be fixed by the Government.

12. The bank shall have at least 30% in cash as reserved funds against the amount of notes issued. The cash reserved funds shall consist of silver and gold bullion, coins of foreign countries and gold and silver deposits in foreign banks.

13. In addition to the cash reserved funds mentioned in the foregoing article, against the remaining amount of the notes issued, bonds and debentures issued or guaranteed by the government and other genuine bonds or commercial debentures shall be used as security reserved.

14. The bank shall draw up a table showing the daily differences in the amount of paper notes issued, of coins issued, their exchange and increase and decrease in the reserved funds, and a table showing the average amount during the week. The tables shall be reported to the government. The average amount of the week shall be published.

15. The government shall instruct the director of the bank to give special supervision to the manufacture and issuance of the currency.

The director may at any time inspect the amount of currency issued and stored in the vault, and the account books.

APPENDIX:

16. The laws shall come into effect from the day of promulgation.

REGULATIONS GOVERNING THE RE-ADJUSTMENT OF THE OLD CURRENCY:

1. After the enforcement of the currency laws, all old coins, old paper notes and other private notes in current before, with the exception of those as provided in these regulations, shall be prohibited from circulation.

2. Old paper notes (known as the silver dollar notes) which have been in current before shall have the same validity as the new paper notes within a full period of three years after the enforcement of these regulations.

1. Redeemable notes issued by the Provincial Bank of the Three Eastern Provinces (Tientsin notes excluded).

2. Redeemable notes issued by the Frontier Bank (Tientsin notes excluded).

3. Redeemable notes issued on the joint reserved funds of the four banks of Liaoning.

3. After the enforcement of these regulations for a period of three years the following old paper currency in current circulation shall have the same validity as the new currency at an exchange rate as provided below:

1. Notes issued by the Provincial Bank of The Three Eastern Provinces for remittants (Mukden Notes): \$50.00 equal to dollar one.

2. The copper notes issued by the Kung Tsi Bank (small coin note): \$60.00 equal to dollar one.

3. Harbin Dollar notes issued by the Provincial Bank of the Three Eastern Provinces: \$1.35 equal to dollar one.

4. Harbin dollar notes issued by the Yung Heng Provincial Bank of Kirin: \$1.35 equal to dollar one.

5. Harbin dollar notes issued by the Heilungkiang Provincial Bank:—\$1.35 equal to dollar one.

6. Harbin dollar notes issued by the Frontier Bank: \$1.35 equal to dollar one.

7. The Tieh (local notes) issued by the Yung Heng Provincial Bank of Kirin: 450 tiao equal to dollar one.

8. Small coin notes issued by the Yung Heng Provincial Bank of Kirin: \$45.00 equal to dollar one.

9. Dollar notes issued by the Yung Heng Provincial Bank of Kirin: \$1.35 equal to dollar one.

10. The "Tieh" (local notes) issued by the Heilungkiang Provincial Bank: 1,800 "Tiao" equal to dollar one.

11. Loan bond notes issued by the Heilungkiang Provincial Bank: \$15.00 equal to dollar one.

12. Dollar notes issued by the Heilungkiang Provincial Bank: \$1.35 equal to dollar one.

4. The old paper currency enumerated in article Nos. 2 and 3 shall lose their validity on the expiration of the period.

5. The copper coin at the decimal system in current in Feng-tien and Kirin provinces shall be valid as three one cent copper coin of the new currency for a period of five years after the enforcement of the regulations. On the expiration of the period it loses its validity.

6. When request is made at the head or branch office of the central Bank of Manchuria to change the old paper or coin currency for the new currency as provided in article 2 and 5, exchange shall be made at the rates as provided. But after the enforcement of the regulations for a period of one year, the Central Bank of Manchuria shall use temporarily the redeemable notes enumerated in article 2 in lieu of the new paper currency for the exchange of other kinds of old paper notes.

7. After the enforcement of the regulations, the Bank of China and Bank of Communications shall not issue redeemable notes and Harbin Dollar notes.

8. Within a period of six months after the enforcement of the regulations, the Bank of China and Bank of Communications shall withdraw their Harbin dollar notes, which they have issued before, at the exchange rate as provided in clause 3 of article 3. After the expiration of the period for the amount of notes remaining unredeemed, the Bank of China and Bank of Communications shall turn over to the Central Bank of Manchuria a sum of money equivalent to the amount for the redemption. After the turning over of the money for redemption (of the notes) within the period as provided in article 3, the responsibility of redeeming the (notes) at the rate of exchange mentioned in this article shall rest on the Central Bank of Manchuria.

9. Silver bullion (silver ingots and silver dollars included) shall not, because of these regulations, be used as currency for circulation.

APPENDIX

10. These regulations shall come into effect from the day of promulgation.

*Exchange Rate between the Paper Currency and Silver
Exchange Rate between the Paper Current and Silver
Bullion or Foreign Silver Draft Notes:*

1. In accordance with article 10 of the currency laws, when paper currency is used for the exchange of silver dollars, the rate given below shall be used for the calculation:

Paper currency \$100.00 shall equal to \$100 silver.

2. In accordance with article 10 of the currency laws, when paper currency is used for the exchange of foreign silver draft notes, the rate given below shall be used for payment of silver draft notes payable at Shanghai:

Paper currency \$100 shall equal to Shanghai taels 71.

3. In accordance with article 11 of the currency law, when silver bullion (silver ingots and silver dollars included) is used to meet payment in paper currency as required by the business at Shanghai of the Central Bank of Manchuria, the rate given below shall be used for calculation in issuing draft notes payable at places where the head and branch office (of the bank) is located:

Shanghai taels 73.50 shall equal to \$100 paper currency.

4. When the head and branch offices of the Central Bank of Manchuria use silver bullion to demand the issuance of paper currency, silver dollars one hundred shall be calculated as one hundred dollars paper currency; while other silver bullion shall be calculated at the rate given below:

Shanghai taels 74 shall be the equivalent of the silver bullion equal to paper currency \$100.

5. The rates provided in articles 2, 3 and 4 may be altered by orders of the government.

6. These regulations shall come into effect from the day of promulgation.

I called upon Mr. Washio on the morning of October 1, in the bank offices in the Chinese quarter. The premises are heavily guarded by Border Guards and Armed Police. I noticed as I passed through two courtyards to Mr. Washio's office that there were sandbagged emplacements between them, and that there was a stand of rifles in the general offices. The explanation given to me was that a few weeks ago a large force of bandits had been reported North-east of Changchun, and that their presence had caused some unrest in the Capital; hence these special precautions.

Mr. Washio, who expressed his readiness to give me any information in his power, was formerly Manager of the Dairen Branch of the Yokohama Specie Bank. Thence he was transferred to the Head Office, as Chief of the Foreign Department.

I told him that I had already obtained translations of the Currency laws, but that I wished to ask some questions regarding them. First, how was the Central Bank formed?

By the amalgamation, he said, of the three Provincial Banks and the Frontier Bank.

What was the security for its Note issue?

His reply was that the gold and silver reserves amounted to about 56 percent of the Note issue, though under the law it was only obligated to maintain a cash and bullion reserve of 30 percent. When the Provincial Banks were taken over, their assets, which were considerable, were at the disposal of the Central Bank.

Did the Japanese Yen have a wide circulation?

Only, Mr. Washio replied, in the Railway Zone, though it was now accepted practically anywhere in Manchukuo. The currency situation, he added, was very sound.

REMITTANCES TO SHANGHAI

Asked how remittances to Shanghai were effected, he replied that the Central Bank had funds in Shanghai, and also a number of Yokohama Specie Bank notes and Yuan Shih-kai dollars in its Changchun office. When the Central Bank started business in July the exchange rate was \$101.40 to 100 Yuan Shih-kai dollars. Now the rate was 99.50, which showed that the credit of the Bank was improving. He expected this improvement to continue indefinitely. For T. T. remittances arrangements had been made with several Banks in Shanghai, but before they were actually brought into operation it was necessary to compile a special cable code. In the meantime, therefore, only drafts were being sold on Shanghai.

In reply to further questions Mr. Washio stated that the total Note issue of the Central Bank was \$143,000,000 on July 1, and at the end of September it was \$121,000,000, a reduction of \$22,000,000. That meant that this sum had come back to the Bank within three months. Now that agricultural products were coming into the market the Note issue would probably increase, and

would stand considerably above \$121,000,000 at the end of October. The maximum issue would probably be reached about February, and then the Note issue would contract again.

CENTRAL BANK NOTES

Relations with foreign banks were perfectly friendly, and worked smoothly. For the moment the Bank was mainly using Eastern Provinces Bank-notes specially overprinted with the name of the Central Bank. It had, however, issued its own fifty-cent Notes, and its own ten-dollar notes would be on the market about November 10.

It would be necessary in consequence of the different systems of book-keeping employed by the Banks that had been amalgamated to reorganize and standardize the accounting system.

Railway freights, hitherto paid in Yuan Shih-kai dollars would henceforth be paid in Central Bank Notes.

The Bank was to some extent financing the Government, but the latter would not require much assistance, especially since it had taken over the Customs revenues. From the latter it was making reserves to meet foreign loan obligations.

BRANCHES AMALGAMATE

The Central Bank had about 120 branches. Owing to the amalgamations it had several branches in some cities.

They would be abolished gradually. But it was desired to avoid dismissing the staffs of the former banks, and they would probably be absorbed in due course, in another Government Bank which would be formed for the financing of agriculture, etc. The staff at the moment consisted of about 100 Japanese, and 2,000 Chinese. In addition, some 3,000 Chinese were employed in enterprises which were operated by the former Provincial Banks. The latter had financed and operated various enterprises including Cotton Mills, and the Kirin Electricity and Waterworks plants. It had been decreed that by the end of June next these subsidiary enterprises must be converted into independent undertakings.

As regards the rates of exchange fixed for the various local currencies, Mr. Washio said that in fixing it the Central Bank had been actuated by three considerations. First, it must be favourable to the population. Thus the Kirin Fengpiao rate which was

formerly 520 had been fixed at 500, which was more favourable to the public.

Secondly they had aimed at an easily calculable ratio, and 500 was better, from this point of view than 820.

Lastly, they had had to take into consideration the actual market rates. Mr. Washio concluded by emphasizing the importance of stabilizing the currency, and claimed that really important progress had been made as the result of the establishment of the Central Bank.

CHAPTER VI

STATE FINANCES.

The limited duration of my visit to Chungchun prevented me from obtaining a personal interview with the Minister of Finance, but I secured a statement upon the finances of the new State from the Foreign Office, which had, presumably, prepared it with Mr. Hsi Chia's authority. I give it exactly as received:

A SUMMARY OF THE FINANCIAL CONDITIONS OF MANCHUKUO

The State of Manchuria is well aware of the imperative necessity of two primary requirements for the existence of a Government, namely, the maintenance of peace and order within its borders and the securing of financial stability. The leaders of the New Government fully realizing these necessities, have been devoting their energy and efforts to fulfilling these two requisites, as a result of which it is to be congratulated that a bright future in this regard is in store for the New State.

A brief survey of the financial standing of Manchukuo since its foundation may be given as follows:

I. FINANCIAL POLICY

The financial authorities of the New Government have endeavoured to achieve two objectives; first of all, to give psychologically the feeling of a stability and security so as to assure the means of obtaining a steady revenue. Following the September 18 incident the financial situation became rather inactive and under the circumstances it was deemed advisable to restore it gradually to a more normal condition of former days without causing radical changes in the financial machinery and organization. Secondly, it was also deemed imperative, at the same time, to devise means to increase the incomes of the people without placing added material burden on them.

Thus a provisional plan was put into practice to meet the emergency need in the formative stage of the New State. When the financial condition is restored on a secure basis after a thorough study, a more fundamental reform will be made such as the reforms in the revenue system and machinery for tax collection.

II. PRINCIPAL MEASURES ADOPTED

1. Taking over of Maritime Customs.

The Manchukuo Government from the outset of its establishment desired to reach an amicable compromise for the solution of the Maritime Customs question. The dismissal, however, of the collector of Dairen Customs, Mr. J. Fukumoto, by the Inspector General was effected on June 24, thereby causing a rather abrupt change in the situation.

As a result on the 27th of June Mr. Fukumoto and his staff of employees in the service at Dairen were all engaged to carry on the work for the Manchukuo Customs Service. The order for the taking over of all other Customs was issued on June 25, and on July 3 the entire Customs service in Manchuria was placed under the control of the New Government.

2. Inspectorate of Revenues.

In order to carry out effectively the centralization plan of finances four District Revenue Inspectorates were established, at Mukden, Kirin, Harbin and Tsitsihar each abolishing the Finance Department in all Provincial Governments. These District Revenue Inspectorates function as supervisory and directing organs of the local Revenue Bureaux and Prefectural Governments both of which collect national taxes.

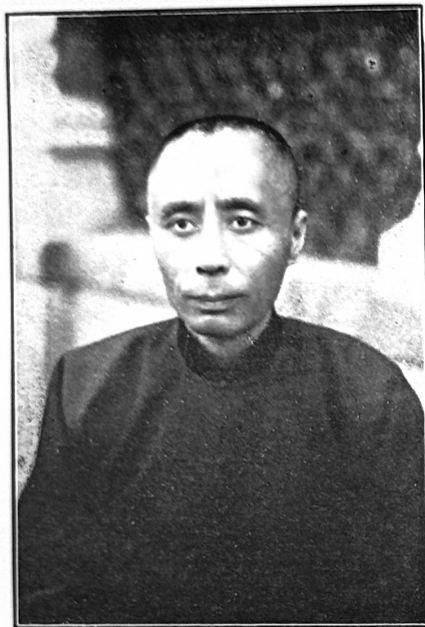
3. Salt Gabelle.

The Liaoning Salt Gabelle Inspectorate has been taken over and abolished while the Three Eastern Provinces Salt Transportation office was renamed Salt Gabelle Office. The Kirin-Heilungkiang Salt Transportation Bureau has become the Kirin-Heilungkiang Salt Transportation office: necessary regulations have been published, and improvements have already been effected in the internal organization.

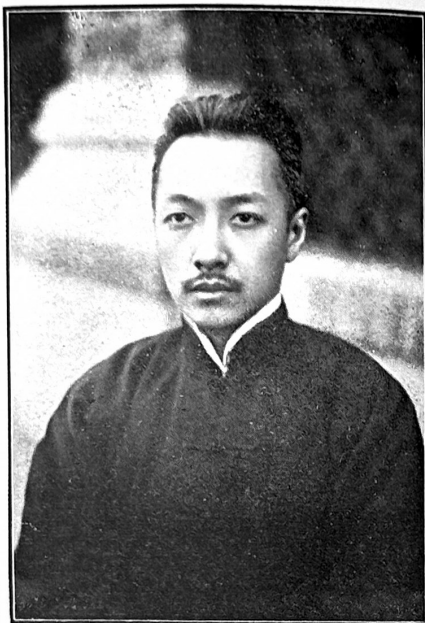
4. Match Monopoly Bureau and Saltpetre Bureau.

These two Bureaus, too, have carried on excellent work with changed staffs. New regulations governing their activities are expected to be issued shortly. (Refer to attached Diagram of Tax Collecting Organs).

Tax-collecting regulations, in general, are adopted from those existing hitherto with minor changes. Taxes are paid in with the new national currency or with old paper money and coins whose



Mr. TSAN SHIH YI,
Minister for Civil Affairs,
Manchukuo Government.



Mr. CHANG YEN CHING,
Minister for Industry,
Manchukuo Government.



Changchun Railway Station. (S. M. R.)

circulation has been recognized by the Law for Redeeming the Old Currency, as well as with the Harbin Tayang (big money) notes issued by the Bank of China and the Communications Bank. The rates of exchange are determined by the provisions contained in Article III of the Law for Redeeming the Old Currency, published as Departmental Regulation No. 35 of the Department of Finance on June 28, 1932. With this policy in mind we are pressing forward and the results obtained so far have been unexpectedly good, the inflow of Government revenues since the establishment of the New State being very steady.

III. GOVERNMENT REVENUES

1. Revenues for March 9.—June 30, 1932.

During the brief period between March 9 and June 30 this year, the domestic revenues, namely, those normally received by the finance offices of the old regime, and the Salt Gabelle totalled 19,063,666 yuan. Of this sum 9,300,000 yuan was turned over to the Central Government, whose expenditures during these months totalled 9,100,000 yuan, the budget thus having been well balanced at the very outset of the New regime. This, indeed, is a healthy sign.

2. Budget Estimates for the 1st year of Tatung (1932).

The new State tentatively decided the first fiscal year to be from July 1, 1932 (1st year of Tatung) to June 30, 1933. Taking into full account such depressing features as the economic instability due to bandit activities, fall in the price of agricultural produces and the great flood disaster of North Manchuria, the Government was able to obtain a total estimate of revenues for the period under consideration amounting to 95,478,000 yuan, itemized as follows:

	Yuan
Customs duties	38,826,000
Salt Gabelle	18,880,000
Domestic taxes	28,312,000
Total duties and taxes	86,018,000
	Yuan
Monopoly revenues	8,650,000
Government industries	338,000
Others	471,000
Grand Total	95,478,000

IV. COMPARISON WITH FORMER REGIME

1. Revenues

Excluding the customs duties, the revenues actually received during the year between July 1, 1931 and June 30, 1932, reached 48,920,653 yuan, as compared to 70,893,079 yuan for the corresponding year preceding, which represent a reduction of 30.9 per cent. This fact, as already pointed out, is attributable to unstable conditions and the temporary setback in the operation of the tax-collecting machinery following the Mukden Incident. As peace and order are restored there is ample reason to expect that revenues will increase. As regards the Maritime Customs, the year under review witnessed in general a drop of about 10 percent as compared with the previous year, but in this case also various conditions point to an increasing tendency for the present fiscal year.

2. Expenditures.

It is only natural that the expenditures of a nation should swell as the administrative machinery is perfected and other necessary establishments are installed. A conservative and steady financial policy has been adopted by the Manchukuo Government whereby the expenditures are increased only in proportion to the increase in revenues and accordingly each successive budget, it is certain, will exhibit a sounder fiscal policy.

The most outstanding features of the finances of the New State compared with those of the former regime are the complete absence of oppressive exploitation of the people by the ruling class and the removal of corruption from among the tax-collecting staff. Moreover, under the administration of the old militarists, fully 80 per cent of the State income was used for military funds for the purpose of gratifying the selfish desires or ambitions of these militarists. With the Manchukuo Government, national funds are used directly for the good of the country and the promotion of the people's welfare, in consequence of which we are confident that the life of the inhabitants will become secure and their standard of living gradually raised.

We now come to the question of unifying the currency, a matter which bears an important relation to the securing of a prosperous economic life of the nation. Ever since the founding of this nation, the Government has deeply realized the urgent need for

the unification of the currency system. Accordingly, taking full responsibility, the Government on July 1 this year, established the Central Bank of Manchuria which is authorized to coin and issue money and whose object is to stabilize and unify the currency. To this Central Bank were amalgamated the three former provincial banks of Manchuria and the Frontier Bank. On the same day, the Law for Redeeming the old Currency was put into force. According to the provisions of this Law, 15 different varieties of paper money and one set of coins were permitted circulation for the time being and their exchange rates for the New National currency were likewise determined and made public. At the same time, another Act for controlling all privately issued bearer-notes (*ssutieh*) or bills resembling, and often taking the place of, bank notes hitherto in circulation was likewise enforced.

It requires no verbose explanation to stress the fact that the task of achieving an unified currency system in China is next to impossibility. Conditions in Manchuria in this respect had been deplorable, especially because the old military governors artificially raised or lowered the value of the currency at will in order to extract war funds to be used for gaining political power. But this difficult task was undertaken only four months after the establishment of the Manchukuo Government, and the work has been well appreciated by those within the State and abroad. At present the circulation of the currency is exceedingly steady and smooth, and the picture of the former system of confusion appears like a dreamy tale of the dim past.

Looking at the note issue of the Central Bank of Manchuria, we notice that toward the beginning the total issue amounted to 145,000,000 yuan, which dropped to the 120,000,000 yuan level after the middle of August. This is clear evidence of the fact that the recovery of the old notes was going on rapidly during this period. In Kirin and in Mukden the destruction of the old bills took place almost weekly. The blue and yellow flames thrown up by such process caused the inhabitants to declare that they were symbols of currency unification, stabilization of the money, and security of livelihood, being the concrete blessings of the principle of "Wangtao" or the "Kingly Way," which govern the administrative policies of the New State. The reserve for the note issue has always exceeded 50 percent, a fact which has won for this Government the confidence of the peoples both within and without.

The value of the currency, too, has now been made completely secure. For instance, the exchange rate on Shanghai for 100 yuan of the national currency is 70.5 Taels, while the difference between the new currency and spot silver for this amount is less than 50 cents. Its position is bound to be stronger as Manchuria enters the period of exportation. Thus, for the first time the 30,000,000 inhabitants of Manchuria have been enabled to possess and use currency with a stable purchasing power and are consequently in position to expand their economic life.

Summarizing the foregoing it might be stated that the financial income of our country will show a healthy expansion as the various pending issues are solved and as peace and order are better maintained. The readjustment and unification of coins, work on which has already been commenced, together with intelligent control of the monetary circulation, will solidify the basis of the people's economic life, bringing prosperity in its wake. Before long, therefore, all of the old "bad taxes" can be abolished and the burdens of the people considerably lightened. More surplus funds can then be devoted to such enterprises as will directly enhance the well-being of the people. Indeed, it is certain that the day will not be far distant when Manchuria can truly become "the land of peace, security, and happiness" of the world.

Tax Bureaux (160).

Revenue Superintendent Offices (5) Districts (157, and Semi-Districts (14). (She-shih-chu)

Mukden (58 bureaux), Kirin (43), Harbin (10), Tsitsihar (51), Jehol (18).

Maritime Customs (7),

Branches: Manchuli, Progranitchnaya. Mukden, Dairen, Antung, Newchwang, Harbin, Lung-ching-tsun, Hunchun, Aigun.

Salt field Bureaux (6).

Salt Administration (1)

(Newchwang)

Inspectors and Special Agents

Bureaux (9).

Gathering and Forwarding Bureau.

(Newchwang)

Salt Store-Houses (37),

Department of Kirin-Heilungkiang

Finance—Salt Transportation —Special Agents Corps (30)

Office (1)

Special Agents Bureau,

(Yenchi)

—Special Agents Corps (16).

(1),—Sub-offices (3).

Match Monopoly Bureau

(Hsinking)

Saltetre and Nitrate Bureaux (3)—Sub-offices (40).

(Hsinking, Mukden, Tsitsihar).

CHAPTER VII

THE GOVERNMENT.

The Provisional Constitution of the State of Manchukuo has one significant omission. It does not state the actual form of government to be adopted. I understand, however, that in official documents the State is referred to as a Constitutional democracy. The Provisional Constitution provided for three Councils: the State Council, which is virtually the Cabinet; the Legislative Council; and the Supervisory Council. To these a fourth body, the Privy Council, has now been added.

None of the members of these Councils appear to be elected; they are all appointed. In theory, at any rate, the Legislative and the Supervisory Councils are independent of the State Council. The latter, however, is the highest executive organ of the State. Over it the Prime Minister presides. And its membership is restricted to Ministers.

There are seven Ministers, namely those of: Civil Affairs (which is responsible for local administration, police, public works, public health and education); Foreign Affairs; Defence; Finance (which controls taxation, monopolies, currency and State properties); Industry (which concerns itself with agriculture, forestry, mining, commerce, and industry); Communications (responsible for railways, posts, telegraphs, telephones, aviation and water transport); and Justice.

NOW FIVE PROVINCES

Manchukuo has been divided, for administrative purposes into five Provinces: Fengtien, Kirin, Heilungkiang, Jehol and Hsingan. Over each of these, except Hsingan, there is supposed to be a Governor. The administration of Hsingan Province, however, is entrusted to a Bureau, presided over by a Minister. Although the boundaries, so far as I am aware, have not yet been clearly defined, I understand that Hsingan is by far the largest of the five Provinces.

There are no restrictions regarding the nationality even of the highest officials of the State. They may be Chinese, Manchus, Mongolians or even nationals of non-Chinese States. Liberal salaries (compared to the nominal salaries usually paid to high officials in China) are paid to the Ministers, and higher officials. The allowance to the Chief Executive is a million dollars per annum, divided into two equal amounts for salary and expenses. The Prime Minister receives \$30,000 a year, and each of the Ministers \$20,000.

A number of Japanese are officials of the new Government, some of them holding posts as high as that of Vice Minister. It is generally assumed, of course, that they are mere tools of the Japanese Government. But this is certainly not true in every instance. Some of them have openly and successfully opposed Tokyo's policies or wishes, a striking example being the levy of import duties on all imports from China, including the products of the Japanese cotton mills in Shanghai and Tsingtao. The Manchukuo Government has so far rejected all appeals to reconsider this action, so far as the output of Japanese factories in China is concerned.

JAPANESE OFFICIALS

Probably the best known of the Japanese *officials* (they are *not* advisers) are Mr. Komai, Chief Secretary of the State Council; Mr. Ohashi, Vice Minister for Foreign Affairs; Mr. Sakatani, Assistant Secretary to the State Council; and Mr. Kawasaki, Director of Publicity in the Ministry for Foreign Affairs. So far as I could ascertain there is only one Japanese *Adviser* of importance, Major General Tada, Senior Adviser to the Ministry of Defence.

I was unable to see Mr. Komai during my stay, but I met Messrs. Ohashi, Sakatani, and Kawasaki. They are men of very different types. Mr. Ohashi, formerly Consul-General in Harbin, is blunt and outspoken, whether dealing with foreigners, with Japanese or with Manchukuo officials. I am told, and have every reason to believe it is true, that he has had frequent friction with the Japanese military and civil authorities, and that at times he has even been denounced as a "traitor" to Japan. He holds very decided views on most questions and never hesitates to express them, frequently without any consideration for the feelings of his audience. Were his sincerity—and ability—not so generally recognized, his comments on the shortcomings of officials of Chinese and Japanese nationality would be regarded as grave indiscretions.

He gave up his post at Harbin, so he told me, without any prompting from Tokyo, and merely because he thought it would be "very interesting" to participate in the building up of a new State. "Very interesting" is one of his favorite expressions. And he often follows this remark with expressions of opinion which would be considered rank heresy in Japanese official circles. He maintains, and has certainly succeeded in convincing the Manchukuo authorities, that he is interested solely in the welfare of Manchukuo, and that he is at heart, as well as in fact, a Manchukuo official.

A JOURNALISTS' ASSISTANT

Mr. Sakatani gives one the impression of being a much more diffident man. His English is not nearly so fluent. He is a son of Baron Sakatani, formerly Financial Adviser in Peking, and is an ex-official of the South Manchuria Railway.

Mr. Kawasaki is an ascetic looking man, with a perfect knowledge of English, who was for some time spokesman for the Foreign Office in America, and has been lent by that institution to the Manchukuo Government. He has an American Wife. And he makes it his business to keep in touch with, and as far as possible to assist, all foreign journalists who visit Changchun.

There is good reason for believing that things have not always worked smoothly between the Chinese and the Japanese elements in the new Government, or even between the Chinese themselves, and the Japanese themselves. Undoubtedly there will have to be some weeding out before efficient and harmonious cooperation can be assured.

In this connection the appointment of General Muto to the triple post of Ambassador, Commander in Chief of the Japanese Forces in Manchukuo, and Governor of the Leased Territory assumes a special significance. It marks a break with the Honjo regime. And General Muto is expected to adopt a more tactful and conciliatory method of handling the problems that confront Japan in the new State. He appears to enjoy the confidence and respect of the Japanese and Chinese officials of the Government alike. And his assumption of office is expected to smooth over much of the past and present friction between rival cliques and personalities, and to result in the elimination of officials—especially those among his own countrymen—who do not pull their weight in the new administration.

SIGNS OF PROGRESS

It is, I understand, in the lower grades of the Ministries that most difficulty is being experienced at the moment. These junior officials often regard themselves as too important and too dignified to perform the duties that ought to be undertaken by them, causing a congestion of work among the higher ranks, and much waste of time and energy.

The Government's offices are at present housed in temporary and inadequate buildings. In this respect it resembles the Nanking administration. But Changchun, today is the scene of feverish building. Behind the Japanese Concession and to the North-west of the old Chinese town, office buildings and official residences are springing up like mushrooms. New roads are being driven through, surfaced, and lighted. Electric and water mains are being carried far and wide. From some points one can see a dozen or more lattice-work derricks for concrete mixing, working against time to complete the outer walls of the new edifices before the cold weather sets in. Among the buildings to be completed or reconstructed in the near future are a palace for the Chief Executive, new Offices and residences for the Japanese Delegation, and new Barracks for the Japanese forces. General Muto is expected to remove to Changchun at the end of this month. The enormous building programme now in progress leaves little doubt regarding the permanency of the Japanese occupation.

I stated at the outset of this article that the Constitution omitted to definite the actual form of government of Manchukuo. But there is little doubt to my mind that the tendency is towards a Monarchy. From various sources I received hints to this effect. And in one case it was suggested that proclamation of a Monarchy would probably end the resistance of some of the Volunteer armies, which are hostile to the Japanese, but not to the Chief Executive of Manchukuo.

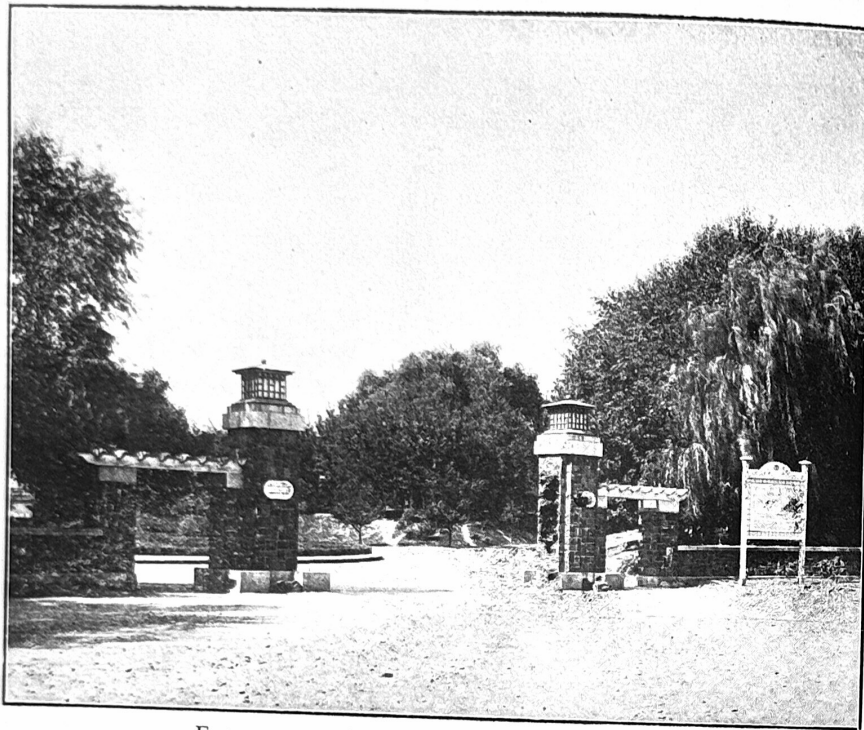
CHAPTER VIII

LOCAL PROBLEMS AT CHANGCHUN

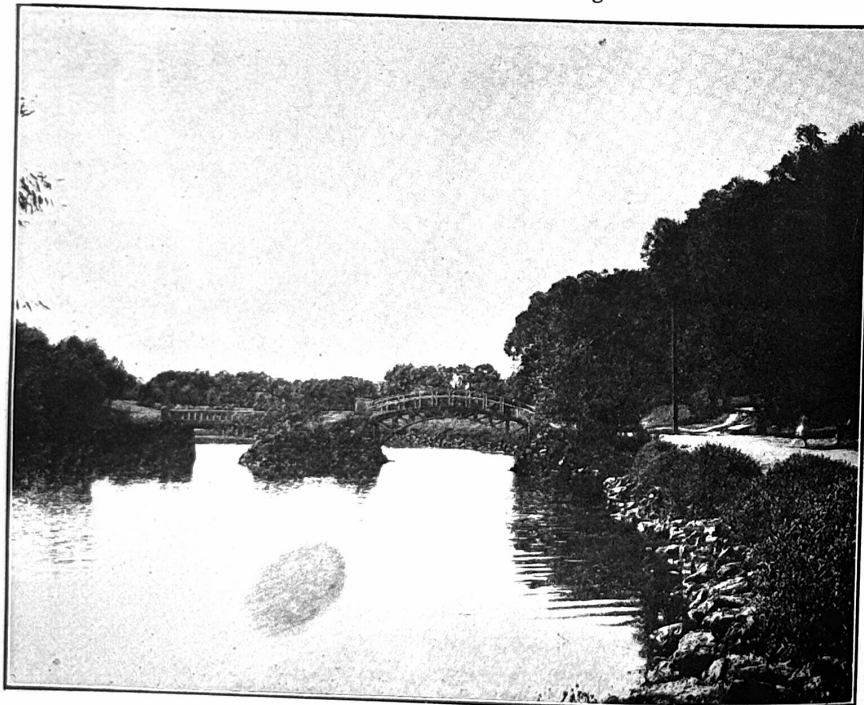
So far as can be seen, the officials of the new State are working with energy and enthusiasm to make the independent Government a success. Opposition to the new regime has been driven underground in Changchun. It still exists, I am told, among some of the educated Chinese. But the bulk of the population have given in. They have abundant ocular evidence that the Japanese have come to stay. And for the moment, at any rate, their presence is beneficial to the local Chinese.

The enormous building programme has provided employment for large numbers of skilled and unskilled labourers. And the average Chinese is perhaps less interested in political controversies than his personal livelihood. Life and property seem to be reasonably secure in Changchun, though there are rumours that "snipers" commissioned to assassinate members of the Government, have recently been sent to the Capital from Peiping.

There is a considerable Japanese Christian community in Changchun, and it has a fine-looking Church of its own, situated on the main street in the Japanese Concession a few hundred yards from the Railway Station. The South Manchuria Railway, I am told, donated \$50,000 towards the erection of this building. And ever since the establishment of Manchukuo the Japanese Christian leaders have shown an almost embarrassing desire to cooperate with the foreign Missionaries who work among the Chinese. I say "almost embarrassing" because, although the Foreign Missionaries would not be opposed to close relations with the Japanese Christians, they are placed in a somewhat invidious position by their overtures. They do not want to be so situated as to become intermediaries between Chinese and Japanese Christians, and thus to expose themselves to the charge of meddling in politics. On the other hand, the new regime has given evidence of a desire to avoid the pinpricking and obstruction of missionary institutions that so frequently characterized the old order. The attitude of the Foreign Missionaries in Changchun—and also elsewhere—is



Entrance to Japanese Park, Changchun



View of Japanese Park, Changchun

that the relations between the Chinese and Japanese Christians must be settled by themselves, without any pressure from their foreign pastors.

No foreign business houses other than Japanese and Russian, keep foreign agents in the Capital. The business of the oil, motor-car, and cigarette companies is entirely in the hands of Chinese agents, who are, however, frequently visited by foreigners from Mukden or Harbin. The shops in the Japanese Concession are all Japanese, Russian, or Chinese. There are several quite good-sized Japanese Department stores selling a variety of soft goods and hardware, most of which are of Japanese manufacture. Most of the local Russians are in reduced circumstances. They run small shops and restaurants, and also engage in manual labour, including carting, and road-making.

LITTLE NIGHT LIFE

I went for a drive round the district in which most of the new buildings are being erected, on a rainy afternoon. Off the main street of the city the road-surfaces were simply appalling. I expected every moment to be thrown out into the morass through which the carriage picked its way. It is a striking commentary on Chinese apathy that for several decades now the example in construction given by the Japanese in their Concession should have been ignored.

Practically the only night life in Changchun is to be found in the Japanese restaurants, and one or two Russian-owned cabarets. There are no cinemas. And the Japanese and Chinese officials of the new Government find it hard to secure habitable and properly heated quarters for themselves and their families. No doubt in the course of the next twelve months the acute shortage of properly-built residences will be overcome. Until his departure, I was told, the Foreign Postal Commissioner was unable to find any quarters fit to live in, other than the hotel.

The latter is almost invariably full to overflowing, these days. And further hotel accommodation is becoming a really pressing problem.

I visited the Park in the Japanese area my last morning. It covers a very large area, and is most artistically laid out, comparing favourably with any of the Shanghai open spaces. It is well timber-

ed, and has a large lake on which pleasure boats ply, several play and athletic grounds, a menagerie of Manchurian animals, and a number of shady walks. It is open, free, to residents of all nationalities, and there is, I am told, excellent skating to be had on the lake, in the winter months.

DAILY AIR SERVICES

I have already mentioned that there are daily air-services between Changchun and Mukden and Harbin. The Japanese military have the first claim on the seating accommodation, but if they do not require it ordinary passengers are carried. I secured a seat on the aeroplane that was supposed to leave for Harbin at 7 a.m. on October 3. I was charged Yen 20 for my ticket, and informed that I could carry 15 kilograms of baggage free and a reasonable excess weight at Yen 1 per kilo. The aerodrome is situated four or five miles from the Yamato hotel, the latter half of the journey along execrable roads. But I got there in good time in the hotel car, had my baggage weighed, and was ready to start, when I was informed that a telegram from Harbin reported heavy rain there, and that it was unlikely that the aeroplane would leave before noon—if it went at all.

There were eight or ten aeroplanes out on the landing-ground, most of them large military machines, one of which took to the air while I was waiting.

There was nothing to be done but to return to the hotel, where, at 10.30 I was informed that it was unlikely that the aeroplane would go at all that day. So I took the 11.04 C.E.R. train to Harbin, the first-class fare for which was Yen 32 (\$42) compared with Yen 20 for the aeroplane ticket.

Old style Wagons-Lits coaches are used for first-class passengers on this section of the Chinese Eastern Railway. And the journey of 149 miles takes over seven hours. The service and equipment compare unfavourably with the South Manchuria Line. Over long stretches the train appears to make a speed of only 12 to 15 miles per hour.

GUARDS FOR BANDITS

Immediately behind the locomotive was an open truck, with a temporary cover over the front half, occupied by a score or so of Manchukuo troops, with a machine-gun.

At every stop I noticed Manchukuo troops on guard on the platform. Passports are called for at Kwangchengtze, the first station out, and also when approaching Harbin. But the inspection appears to be a farce. For after studying mine upside down and sideways for a minute or two the inspector asked me whether I was French or American?

The most dangerous section of this branch of the railway—in which a train was wrecked and Messrs. Kinney and Penlington were robbed of everything they possessed, including most of their clothing—is between Taolalichao, the first bridge across the Sungari, and Harbin.

And at this bridge—which was guarded only by Manchukuo troops—a Japanese detachment reinforced the Chinese escort. We reached Harbin on time, and without incident, though I heard that the previous day's train (none now run at night) was heavily fired upon, and an hour late.

CHAPTER IX

THE CITY OF HARBIN.

Most of the Foreign Consuls in Manchuria, I believe, are still disposed to give those of their nationals who propose to travel between Changchun and Harbin by train the same advice a *Punch* gave to those about to marry—"Don't"—especially if it be possible to make the trip by aeroplane. Only the day "express" (a word which is a misnomer as its average speed is only 21 miles per hour) is now operating, and it makes the journey under escort by Manchukuo troops, reinforced in the more dangerous areas by Japanese. Firing upon the train is still not uncommon, though Manchukuo cavalry patrol those portions of the line that are most exposed to attack. A few days before I went up the down train had two pitched battles with bandits, and only the day before, the North-bound train was heavily fired upon, and arrived about an hour late. I arrived on time without hearing a shot fired.

Harbin is a large straggling city which gives one the impression of harbouring a far larger population than is actually the case. The most reliable estimates place the Chinese population at 220,000, the Russian at 80,000, and the Japanese at four to eight thousand. It is probable that the Chinese population has recently been augmented somewhat by flood refugees. Of the Russians some 50,000 are "Whites" and 30,000 "Reds." Most of the "Reds" depend upon the Chinese Eastern Railway for their livelihood. They have little contact with the "Whites," a bitter animosity still existing between the two groups.

WHITE RUSSIAN HARDSHIPS

Of all foreigners in Chinese territory the White Russians have probably undergone the worst hardships. Exiled, in most instances, from their native land, without any form of Consular protection, they have been shamefully persecuted and exploited by the local Chinese officials. Their plight, today, is terrible. Floods and economic depression have reduced thousands of them to actual starvation. It is estimated that fifteen to twenty thousand of them are without employment or any means of subsistence. There is no

more pathetic sight than that of these hopeless, helpless, poorly clad and emaciated men and women prowling round the streets of Harbin, day after day, in utter misery. I am told that for actual cost of living Harbin is one of the cheapest cities in the Far East. But unless substantial assistance be forthcoming during the coming winter some thousands of White Russians of both sexes will probably starve to death.

The main divisions of Harbin are Pristan, the business quarter near the River; Fuchiatien, the Chinese quarter, and the New Town, which stands on higher ground, and is the favourite residential area. In addition there is a new suburb known as Madiagow, which is being developed by White Russians. On the other side of the Sungari is Zaton, much used as a pleasure resort in the summer months.

In addition to the vicissitudes caused by the political crisis, and the frequent interruptions of communication on the C.E.R. main line, Harbin has suffered during the past summer from unprecedented floods. The Sungari rose about five metres above the normal summer level, flooding the whole of Fuchiatien and Pristan, and causing untold suffering to the population on the opposite bank of the Sungari, many of whose houses were completely submerged, or collapsed. The floods began on August 9-10, and attained their maximum level about the 15th. They covered an enormous area, half of the population of Heilungkiang being affected, and at least 1,800,000 persons being rendered absolutely destitute. It is estimated that the crops of North Manchuria which amounted only to 60 percent of normal, were reduced to 40 percent by this visitation. Large stocks of beans and other produce, and numerous cattle were destroyed.

JAPANESE DISPLAY ENERGY

Most foreigners I met admitted that the situation would have been even more precarious in Harbin itself, but for the energy displayed by the Japanese. At a cost of \$280,000 they installed a pumping plant of 25 units in Fuchiatien, capable of pumping out 301,200 cubic metres per day. It was estimated that the water in the Fuchiatien area alone on August 12 covered 4,875,000 square metres: This had been reduced to 2,240,000 sq. metres by September 24, and it was expected that the entire district would be pumped dry by October 20th before freezing added to the damage done by

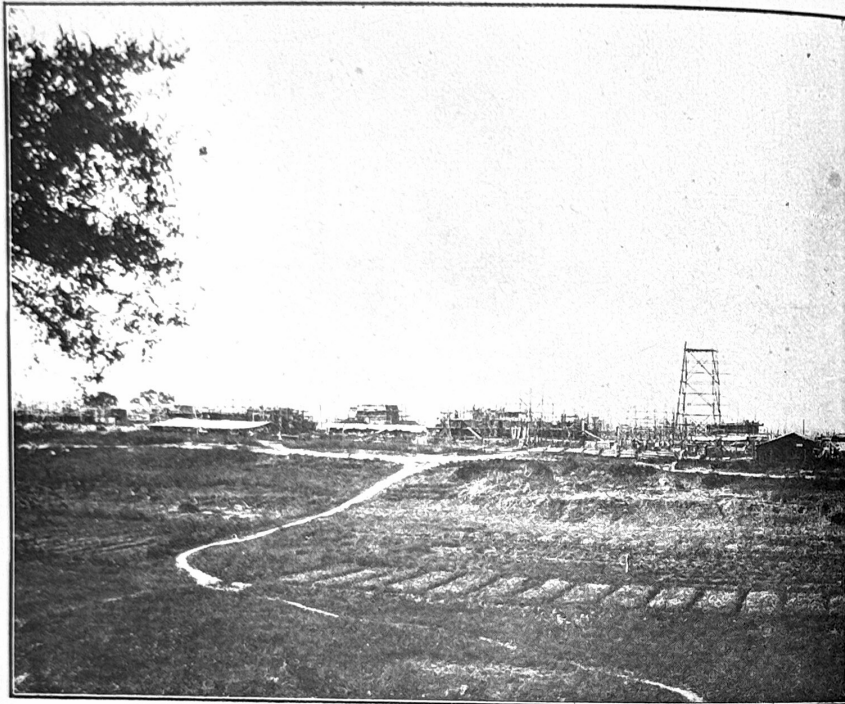
water. Japanese experts took charge of the pumping, and were assisted by S.M.R. engineers. When cholera came in the wake of the floods the Japanese insisted upon wholesale compulsory inoculation. They barricaded certain side roads to compel inhabitants to pass certain inspection points at which failure to produce certificates resulted in immediate inoculation. They disinfected cars and other vehicles coming from the infected areas. And their efforts soon produced a marked decrease in the number of cases.

The Chinese population, however, was not enamoured of inoculation. The usual rumours were circulated that they were being poisoned by the Japanese. One enterprising Chinese, started a trade in inoculation certificates. He sold them to purchasers who objected to inoculation and underwent the process himself as often as he could. The result, so it is said, is that he succumbed after the tenth or eleventh inoculation.

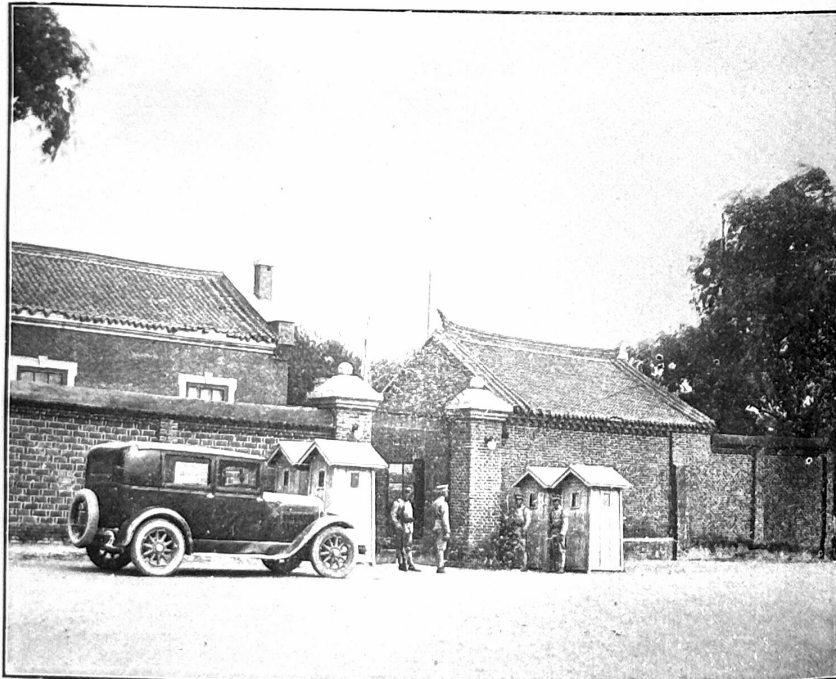
Most of Pristan was free of water when I arrived, though there were still a number of boats on the sidewalks, and the Moderne Hotel's hot-water and heating plant was still out of commission. The higher levels in the New Town escaped flooding, but for weeks the only means of transportation in the main business section was by water.

A NAVAL OCCASION

I spent my first afternoon in Harbin, on the river, with the popular American Consul-General, Mr. George C. Hanson, who had personally supervised relief operations on the opposite bank. I was amused to see that he produced a regular armoury when we got on board his motor-boat, but it was a necessary precaution, for Harbin swarms with armed bandits, both afloat and ashore, as I shall describe in a subsequent article. We crossed the river and then turned up-stream close to the left bank. Although it was evident that the waters had subsided considerably, the scene was still a pitiful one. Houses had wholly or partly collapsed all along the bank, and in many cases their ground floors were still submerged. Those inhabitants who remained were still confined to the top storeys, or even forced to camp out on the roofs. Small houses, pleasure bungalows, restaurants, and a large Church had all suffered the same fate. Buildings on the islands in the river, many of them resorts of *paitzu* parties in the winter months will, I fear, remain unfit for occupation throughout the winter. Many of the upper-storey



Construction Work, Changchun, Manchuria.



Entrance to the Office of the Chief Executive, Manchukuo.

residents appeared as the American Consul-General's launch passed and waved him a cheery greeting—in memory of the bread and other foodstuffs that he and other members of an international Committee had delivered daily to those refugees who elected to remain where they were rather than risk the looting of their few remaining effects. Out on to the roof of one house, at which we stopped, on a level with the eaves, crawled an elderly Russian Baron, who had refused to leave his abode. He informed my host that hung-hutze had raided a farm house well within sight and not a couple of hundred yards distant, the previous night, and stripped the occupants of all their clothing. Several shots were heard during our up-river trip, but we could not ascertain by whom, or whence, they were fired.

I am told that the International Relief Committee has come to the end of its financial resources, and will soon be dissolved. But it is to be hoped that it, or some kindred organization will be able to secure the means to succour the Russian flood victims and unemployed during the coming cold weather. Otherwise another tragedy will be added to the already sad experience of Harbin.

CHAPTER X

LAWLESSNESS IN HARBIN.

Never, in the memory of the oldest foreign resident, has Harbin been so lawless as it is today. There have been occasional reports of local kidnappings in the Shanghai papers, but it was not, I think, until an account—not entirely accurate—of the attempt to kidnap Mr. Melhuish, the agent of the Hongkong & Shanghai Bank, reached this city that it was realized that foreigners of all nationalities were in peril. I heard Mr. Melhuish's story from his own lips, and also read over the depositions made by eyewitnesses of this outrage.

Mr. Melhuish, who is a tall wiry man, had intended on the afternoon of Saturday, September 10, to play a round of golf with his wife. But for some reason she was unable to accompany him, and he arranged at the last moment, to play with a member of his own staff, Mr. Hansell. It is, perhaps, lucky, in view of what occurred, that he did so. Being a Saturday afternoon a number of golfers were on the course. Mr. Melhuish had just driven off from the fifth tee, which is in depression near the railway embankment, when he was seized by both arms from behind by two Chinese, who tried to drag him off towards a bridge under the embankment a little distance away. He shouted, and attracted Mr. Hansell's attention, and implored him to divert the attention of the bandits while he struggled to free himself. Mr. Hansell, who brandished his golf-club, found himself facing a Chinese with a Mauser. His manoeuvres occupied the attention of this ruffian. But when he saw that Mr. Melhuish was on the ground, and being beaten on the head and legs with bamboo poles, he made a dash for him. The gentleman with a Mauser then fired, shooting him through the left forearm which he had raised to shield his face.

CADDY GOES FOR HELP

Mr. Melhuish's Russian caddy, who witnessed what occurred, immediately ran to the barracks on the other side of the railway, reported that a foreigner was being kidnapped, and appealed for assistance. He was refused, on the ground that the men's officer was not present. They told him that if he followed the bandits

they might come later! A party of some 25 Chinese troops on the road leading to the barracks, bolted, as soon as they heard the shot. Not two hundred yards away, in a raised sentry box commanding a view of the occurrence was an armed Chinese policeman, guarding a woodyard. He seems to have taken the view that anything that happened on the golf-course was no concern of his.

Apparently a bandit on guard in the neighbourhood gave a warning signal after Mr. Hansell had been shot, for Mr. Melhuish's assailants dropped him and ran off. He was still struggling desperately and tore the coat off one of the men who caught him.

The matter was immediately reported to the local authorities by the British Consul-General but they took no action whatsoever. They never even examined the witnesses of the incident, and refused to furnish extra police for the protection of the golfers. The locality in which the bandits make their headquarters is well-known. It is situated only a few hundred yards from the golf-course, but no attempt has been made to round them up.

It was obvious that the criminals were after the Hongkong Bank Manager, as they made no attempt to seize Mr. Hansell. Mr. Melhuish, though severely injured—he is still partly deaf as a result of the assault upon him—on his return home immediately inserted an advertisement in the Russian and Chinese papers announcing that under no circumstances would any ransom be paid for any member of the Bank's staff.

This, I believe, was the first recorded actual attempt to kidnap a foreigner other than a Russian or a Japanese. But during the past six months at least fifty cases of kidnapping have occurred in broad daylight in Harbin's main streets, the victims being either Russians or Chinese. And demands for money accompanied by threats are constantly being received by Harbin residents. At Hoshigaura I met two Harbinites—one Russian and one of another nationality, who had spent the whole summer there in consequence of threats of this character.

LOCAL SITUATION SERIOUS

The local situation was so serious that the Consular Body at the instance of the Polish Consul (who has some three thousand of his nationals in Harbin) addressed a communication to the Commissioner for Foreign Affairs, urging him to reinforce the local police—

who usually watch these outrages without any attempt to prevent them—by six hundred "White" Russians. He returned an impudent reply to the effect that this was a domestic question which did not concern the Consuls. Subsequently the American Consul-General issued a warning to all his nationals advising them to keep to the main streets, and to take special precautions if they ventured forth after dark.

I called upon and had an interview with the Commissioner for Foreign Affairs, Mr. Shih Lu-pen. He impressed me more unfavourably than any other Manchukuo official whom I met, and I had better explain why. He told me he had been informed that I was coming, and wanted to give me full and frank information. He proceeded to tell me a series of barefaced falsehoods. Harbin, he said, had never been so peaceful as it was today. I replied that that was not my information. He inquired the reason for this statement. I then said "What about the golf-course incident?" "Golf-course," he said. "What happened on the golf-course?"

I mentioned the attempt to capture Mr. Melhuish, and he at first pretended to be ignorant thereof. Then he said that there must have been a mistake. The bandits could not have known that Mr. Melhuish was the Hongkong Bank Manager. I retorted that it was quite obvious that it was Mr. Melhuish that they were after, and suggested that it was unnecessary to waste his time further. Perhaps I might be allowed to discuss the matter with his Japanese adviser, Mr. Sugihara. Thereupon he admitted that he had heard of the golf-course incident and added that he had given the police instructions to make a strict investigation. "With the result" I said, "that they have never taken a statement from a single witness of the occurrence." "Moreover" I added, "the hamlet in which these bandits make their headquarters is perfectly well known to all the residents in the neighbourhood, and no attempt has been made to round them up." It was mere waste of time discussing matters with so mendacious an official, and so I said that I had no further questions to ask. In taking leave of me he said that he hoped that I would report favourably on conditions in Harbin. I rejoined that my report would state the truth; that nowhere where I had been in Manchukuo had I found such appalling conditions as in Harbin.

A REIGN OF TERROR

It would not be an exaggeration to say that during my visit Harbin was virtually in the midst of a reign of terror. Many foreigners would not accept any invitation that involved venturing forth after dark. I visited the Golf Course, and some two hundred yards away the car in which I was seated was joined by a mounted Cossack, who rode ahead of it to the Club House. No-one was allowed on the course without clubs. And four "White" Russians, armed with rifles and pistols were constantly on duty on the course. They were stationed at various points along the course, and if any player went down a depression which would take him out of sight, one of these guards followed him. I stood on the tee from which Mr. Melhuish was playing when he was seized and photographed the Police-box, not two hundred yards away, in which an armed policeman is always on duty. The Russian guards have all been hired by the Golf Club.

At the Harbin Club, before one enters, one is inspected by an armed Russian detective, who is stationed there all day, and is constantly patrolling the premises. In the bowling alley, where most of the members had congregated one of the evenings I was there, they had all placed their pistols on the bar, ready for immediate use.

Banks, business houses, and many foreign residents employ armed guards to protect their premises and to act as escorts to individuals when they venture forth, either by day or by night. Many foreigners employ Russian ex-service men as chauffeurs, and provide them with arms. And it is a tribute to these "White" Russians that no-one has ever heard of one proving false to his trust. This is the condition in Harbin today when, according to the Manchukuo official charged with dealing with foreign officials, conditions are more peaceful than ever before.

I went out to dinner one evening with a friend who lived not more than two hundred yards from the Harbin Club. He said he would send his car for me at 8 p.m. I knew his residence and suggested that I could walk that distance in two or three minutes. His reply was that it was off the main road, and would not be safe after dark.

MURDER ON THE STREETS

Hardly had I reached Tientsin when I read of the murder of Mrs. Woodruff in one of the main streets in broad daylight. I was

not surprised. Perhaps now Mr. Shih Lu-pen will admit that the new paradise which he tried to depict to me at our interview is a phantasy of his own creation.

Though there are a number of Russian criminals in Harbin most of the kidnapping appears to be done by Chinese. They have established a regular industry. And the inactivity of the police in the face of this scandalous state of affairs can only be construed as showing gross incompetence and cowardice, or as indicating that they are the allies, not the foes, of the lawless elements in the city.

CHAPTER XI

TRADE OUTLOOK AT HARBIN.

When I was in Changchun Mr. Ohashi, former Japanese Consul General in Harbin, and now Vice-Minister for Foreign Affairs in the Manchukuo Government, told me that in his opinion Harbin had the most promising future of all the cities in the new State. The future will show whether this expectation will be realized. At the time of my visit, however, the outlook was extremely depressing. Floods and interruption of railway transportation—especially on the Eastern and Western sections of the Chinese Eastern Railway—had almost paralysed the flow of commodities, inward and outward. What would appear to be the logical alternative—the use of the South Manchuria Railway as the inlet and outlet for the commerce of North Manchuria—has been in a large measure frustrated by the goods tariff on the Harbin-Changchun section of the Chinese Eastern Railway. The freight charges for carrying goods over the 149 miles on this section are nine times as much as for carrying them over the 435 miles between Dairen and Changchun. These prohibitive rates were, of course, fixed for the purpose of preventing the trade of North Manchuria finding its inlet or its outlet at Dairen. And in normal times they divert most of the goods traffic to the Harbin-Vladivostok line. Under existing conditions, however, the Soviet trade agencies suffer, relatively, to the same extent as local importers and exporters, as a result of this discriminatory goods tariff.

Harbin appears to have reached the height of its prosperity in the years 1926-9. Then came the Sino-Soviet conflict, which, though of comparatively short duration, brought business to a complete standstill. Confidence has never been fully restored since. Moreover, the world-wide economic depression had made its effects felt in North Manchuria before floods, railway interruptions, and banditry aggravated the local situation.

LANCASHIRE COTTON OUSTED

Japanese and Soviet piece-goods—especially the latter—have completely ousted Lancashire cotton products from the local

market. Soviet cotton goods are now being put on the local market at prices with which the Japanese (much less the British) cannot possibly compete. British manufacturers have been doing a fair business in woollen piece-goods, chemical fertilizers and in some kinds of special machinery. The automobile market is virtually in American hands, but is not flourishing. Local agents were overstocked when the Sino-Soviet conflict brought business to a standstill, and few new cars have been imported since 1929.

I was astonished at the progress being made by the Soviet Trading Agency (Torgpredstvo), whose showrooms I visited. There I found samples of pianos, bicycles, glassware, crockery, wines, tinned goods, motor-tyres, sewing machines, toys, textiles, cigarettes, matches, mineral waters, goloshes, and boots and shoes—all the products of Soviet factories. The Russians have also been importing petroleum products on a large scale, and have cut in heavily on the business of the American and British oil companies. (At one time they were offering petrol at Dairen at little over fifty percent of the prices of the other Oil Companies). Recently, I believe, there has been some kind of price agreement, though no-one seems to be very certain to what extent it is observed.

I had a talk with one of the staff of the Soviet Trading Agency, who admitted that its turnover was being adversely affected by the conditions on the Chinese Eastern Railway. He stated that even when a train could be got through on the Eastern line, payment of double import duty (at Suifenhö to the Chinese Customs, and further West to the Manchukuo Customs) interfered with the transportation of cargo, and that it would not pay (in view of the heavy freight already mentioned) to bring cargo in through Dairen.

Smuggling at Dairen has now been brought under control. But there has also been considerable smuggling, inward and outward, on the Soviet frontier, especially on the branch railway from Munzovka to Toorgro, on Lake Hinka.

JAPANESE CUT TRANSPORT COST

In an effort to circumvent the excessive C.E.R. freights on the Southern section the Japanese, during the past few months, have been offering to deliver goods in Harbin at a much lower cost, by

routing them via the Ssuningkai Railway to the point where it crosses the Nonni, and then transporting them by water down the Nonni and Sungari, to their destination.

One obstacle to business that has been acutely felt recently has been the difficulty of remitting funds to Harbin from the interior. This has, I understand, to some extent been mitigated by the establishment of the Central Bank of Manchukuo, which will now undertake remittances from its provincial branches to Harbin and elsewhere.

I made many inquiries as to allegations of Japanese discrimination against the commerce of other nationalities, and especially regarding navigation on the Sungari River. There is supposed to have been a clause in a secret Sino-Japanese Treaty of some years back which conceded the right of navigation on this river to the Japanese if the Russians withdrew their objection thereto. Up to the present the Japanese appear only to have run naval vessels and transports under their own flag. They have in at least one case driven off the river a steamer of Chinese ownership chartered by a British subject, who flew the Union Jack as a protection against Hunghutze. The Wharf case of which some details may be given, has only recently been settled. It may be recalled that in 1926, and presumably in retaliation for the confiscation by the Soviet of the C. E. Railway's Egershelt property, the North Eastern Naval Squadron assumed control over, and claimed the ownership of, all shipping facilities and shipping owned by the Railway. The latter never acknowledged the right of the Chinese to adopt this confiscatory policy.

After prolonged negotiations an agreement was come to by which the Railway paid the North Eastern Naval Squadron an annual fee of \$25,000 "for facilitating work on the wharves." This arrangement worked smoothly until March, 1932 when further demands were made, followed by a notification that the "lease" of the wharves would not be renewed as the property had been leased to the "Kokusai Unyu Kabushiki Kaisha" (International Express Co.), which is a subsidiary of the South Manchuria Railway. The Management of the Chinese Eastern Railway protested, and refused to vacate the property. On June 5 the East Asiatic Company attempted to load a steamer at the wharves, and the Japanese interfered, insisting that loading could only be done by

their own labour gangs which charge about double the rate of the ordinary wharf labourers. Simultaneously they demanded the handing over of the property, which would have involved virtual control of the 400,000 tons of river-borne traffic, annually. Forcible possession of the wharves was taken by the Japanese on July 8, and the Railway then retaliated by refusing to allow any of its cars to go down to the wharf sidings. Eventually an agreement was reached under which a further sum was to be paid by the Railway for the lease of the wharves, and labour used was to be furnished by the Japanese concern. How it is working out in practice I could not ascertain.

DISTRIBUTION OF INSURANCE

I have referred to the alleged discrimination against foreign (non-Japanese) insurance companies in other parts of Manchuria. In Harbin I was given to understand that the Japanese Companies did in fact, have a large proportion of the official business (government buildings, banks, railway offices, etc.) which they covered at lower rates, until 1928, when under pressure from the Young Marshal's regime, it was transferred from Japanese to British and American Companies. As soon as the Japanese put their officials and advisers into the Government Offices, banks, etc., insurance was placed in the hands of Japanese companies. It would, I fancy, be extremely difficult completely to counter the Japanese contention that such discrimination as there has been, has operated against them for some years past, and they are now only getting back a reasonable share of the insurance business.

A large cigarette factory owned by the B.A.T. but operated under the name of Lopato Bros., is located in Harbin, and most of its output consists of cigarettes of the Russian type. There has been no interference with its sales and distribution. But there has been some persecution of members of the factory staff, several of whom have at different times been arrested and detained on vague political charges. A Japanese authority to whom I spoke about this matter, admitted that the local officials were experiencing considerable difficulty in discriminating between genuine and malicious charges which were constantly being brought against individual Chinese and Russians.

The postal situation in Harbin (as indeed in every centre in Manchukuo where there is not a Japanese Postal Agency) is

chaotic. Local letters may take four to six days to reach their destination, if they ever reach it at all. A large percentage of mail matter still goes astray. And no-one seems to know what the position is regarding mail matter addressed to Foreign countries—whether Manchukuo stamps are accepted or the addressee has to pay double postage. The interruption of the Postal remittance system is, of course a great hardship, especially to those Chinese who are accustomed to remit small sums to their relatives in China Proper.

Harbin used to be famous throughout the Far East for its night life. In that respect its glory has diminished. Partly, of course, this is due to the reduced spending power of the population owing to economic depression. But another factor is the prevailing lawlessness. Well-to-do foreigners—Russians and others—are nervous about going out late at night. One Cafe, I was told, advertised that it always had armed guards on duty at the entrance.

CHAPTER XII

JAPAN AND THE SOVIET.

I had intended when I came up to Harbin, to pay a brief visit to Tsitsihar. At Changchun, however, I met friends who had passed through Manchouli a couple of days previously and reported that it had been occupied by anti-Manchukuo troops. And on arrival at Harbin I learnt that two British officials who had left for Tsitsihar several days previously had been unable to get back, owing to the interruption of the railway East of that city. They returned several days later in a Japanese aeroplane, and reported that according to Japanese accounts there had been heavy fighting South of Tsitsihar, in the course of which Li Hai-ching had been killed. No trains were leaving for Tsitsihar (or Manchouli) during my stay, and I therefore had to give up the idea of going there.

The question of Russo-Japanese relations is one of the main topics of conversation in Harbin, especially in White Russian circles. There are, as I have already stated, some 50,000 "Whites" in Harbin, and though their sufferings have been aggravated by the events of the past twelve months they are, I understand, almost solidly pro-Japanese. This is hardly to be wondered at. Their sufferings at the hands of the Chinese authorities have been most shameful. The Lytton Report describes their treatment in moderate language. "Because they are a minority community with no national Government to protect them they have been subjected to every kind of humiliation by the Chinese officials and police. The poorer members find it very hard to make a living and have suffered continually at the hands of the police and the Chinese Courts. In a province where taxes are assessed by a process of bargaining, they have been made to pay a higher portion of their assessed taxes than their Chinese neighbours. They have experienced many restrictions on their trade and movements, and have had to pay bribes to the officials to have their passports examined, their contracts approved or their land transferred. It is not to be wondered at that many members of this community, whose condition could not well be made worse, should have wel-

comed the Japanese and now entertain hopes that their lot may be improved under the new administration." I was given first-hand evidence of the blackmailing methods adopted by the Chinese police towards "White" Russian refugees, submission to which was the only alternative to deportation to Soviet territory.

HOPE FOR WAR

Several "White" Russians whom I met in Harbin made no secret of their hope that the present imbroglio would result in another Russo-Japanese War.

A Japanese publicist asked me whether I would prefer a Sovietized Manchuria as an alternative to the new State, with Japanese support, and my suggestion that these were not the only alternatives was not enthusiastically received.

Harbin gets very little dependable news of what is going on either in Manchukuo or in the outside world. The papers—Russian, Chinese and English—all appear to be heavily censored. Shanghai and even Japanese newspapers print far more detailed information regarding conditions in Manchukuo than any newspaper in Harbin.

It is constantly alleged that the Soviet are instigating, and even supplying arms and munitions to, the anti-Manchukuo forces in the Chinese Eastern Railway Zone. But these allegations would appear to be made mainly for the purpose of eliciting Soviet disavowals. Japanese and Manchukuo officials express the hope and voice the expectation, that Soviet Russia will be the next Government to extend formal recognition to the new State. They point to Soviet acceptance of the appointment of a Manchukuo Consul at Blagovestchensk as evidence of Moscow's willingness to recognize the Manchukuo Government. The only Soviet official, however, to whom I was able to address a direct question on this point, hazarded the guess that Moscow would not recognize Manchukuo before China herself had done so.

I was informed from a reliable source that though the Chinese Eastern Railway is now suffering heavy losses as a result of the paralysis of the railway system the receipts for 1922 are unlikely to fall short of those for 1931. The expenditure, however, will be much larger, mainly in consequence of the damage done to the

line by the recent floods. And it is expected that the services of a large number of railway employees will be dispensed with during the next few months, if the interruption of the line continues.

The Japanese maintain a garrison in Harbin, and their military planes fly over and around the city daily, but they do not appear to exercise the control here that they do at, say, Mukden. And in view of the prevailing lawlessness many foreign residents wish they would adopt a firmer attitude. The local police force appears to be completely demoralized. And unless drastic action is taken to cope with the present crime-wave Harbin is going to be a very unpleasant city to live in during the coming winter.

POSSIBLE FRICTION

While cynics assert that the paralysis of the Chinese Eastern main line leaves the Japanese unmoved, the Japanese themselves maintain that the problem of restoring order, and bringing about the resumption of traffic, is complicated by the possibility of friction with Moscow. It seems imperative, if the railway is not to be put out of commission for an indefinite period, that the Tokyo and Moscow Governments should come to some definite understanding as to the means to be adopted for the protection of the line. The present situation is such that only very strong political motives could influence the Soviet Government to reject such an understanding. The Japanese, at the time of my visit, did not appear to contemplate serious military operations West of Tsitsihar, though they hold that city (which is the headquarters of one of their Divisions) and are endeavouring to keep open the Ssupingkai-Taonan-Angangchi Railway, which—especially with the C.E.R. out of commission—is an important feeder to the South Manchuria line.

There are rumours, which may or may not have some foundation, that the solution sought by Japan, is the purchase of the Chinese Eastern Railway on behalf of the Manchukuo Government. In that event it is probable that the Japanese would seek to convert the whole line to standard gauge, thus making it an integral part of the Manchukuo Railway system, and enabling them to run through trains from Dairen, Antung, and Newchwang to the Soviet border at Manchouli and Pograditchnaya.

SOVIET FORBEARANCE

The Soviet have undoubtedly shown extraordinary forbearance during the past year. No one can doubt that if, in November 1929, the Soviet forces had advanced to Harbin, and prepared to move down to Changchun, Japan would have mobilized.

But the Japanese Army has moved into the Soviet sphere without encountering any opposition. And not even the serious financial losses caused by the activities of the anti-Manchukuo forces on the Eastern and Western sections of the main line have evoked any protest from Moscow. It would appear, therefore that both sides are for the moment, anxious to avoid an open conflict, though neither has any solution to offer that would make such a conflict unlikely in the not distant future. Harbin, caught between the upper and the nether millstones is in a peculiarly unhappy position. But rumours of local disorders were discounted in one quarter of which I inquired, with the laconic remark that ten thousand White Russians would offer their services to Japan if the latter had not sufficient forces on the spot to quell disturbances.

CHAPTER XIII

THE OLD CAPITAL.

Although Mukden is no longer the capital of Manchuria, it is still from a commercial point of view, a more important centre than Changchun. It is, in the first place an important railway junction, whence trains run North to Changchun and the Chinese Eastern system, South to Dairen, South-west to Shanhaikuan, Tientsin and Peiping, East to Fushun, North-east to Kirin and South-east to Antung. It was the scene of the incident of September 18, 1931, which led to the Japanese military occupation of Manchuria.

The City consists, roughly, of three parts: the Japanese Concession, the so-called International Settlement, and the Old City.

It was the former Capital of the Manchu Dynasty, whose ancestral tombs lie to North and East of the City. A few miles Eastward are the Fushun collieries, which are among the largest bituminous deposits in the world. Around Mukden was fought the decisive battle of the Russo-Japanese war.

The Japanese area and the International Settlement are well kept up, with good roads, substantial buildings, and adequate lighting, etc. During the past few years, also, there has been considerable road construction within the Chinese city.

There is a large Japanese population which has been augmented during the past twelve months by several thousands of Korean refugees, who have been compelled by banditry and military activities to vacate their farms and seek safety, shelter and sustenance under Japanese military protection.

The number of foreign (other than Japanese) firms doing business here is not large, and has been dwindling rapidly since September 1931. Prior to the Japanese occupation the main foreign business was with the Arsenal and the Manchurian Railways. The Arsenal, which covers an area of between six and eight square miles must be one of the largest, if not actually the largest, in the world. When working full time it employed over seven thousand workmen.

There has been a regular spate of railway construction during the past four or five years, many of the new lines and extensions being built with the obvious purpose of undermining the position of the South Manchuria and Chinese Eastern Railways.

From September 18, 1931, onward, the arsenal ceased work, and railway construction was suspended. The arsenal even today is only used for motor-car and aeroplane repairs, and possibly also, for the manufacture of aeroplane bombs by the Japanese Army. But it is rumoured that it will resume operations on a smaller scale for the supply of munitions to the Manchukuo forces, in the near future.

A DELIGHTFUL CLUB

The foreign community finds most of its recreation at the Mukden Club, which has an open-air swimming pool, tennis courts, bowling alley, and badminton courts; at the golf course, which is located near the Northern Tombs; and the Race Course. At the time of my visit a golf competition was in progress, but owing to bandit activities on the outskirts of the city, which had resulted (among other things) a few days previously in an attack upon the aerodrome and the destruction of several aeroplanes, the golfers were in considerable doubt as to their personal safety. Attempts were made to secure special armed guards, and a notice at the Club had pencilled below it "Bring your own guns."

The Mukden population, foreign and Chinese, in common with that in other parts of Manchukuo, has suffered serious inconvenience from the disorganization of the Postal Service which followed upon the withdrawal of the Chinese Postal staff. Absolute chaos prevailed for several weeks after this withdrawal which included some 90 per cent of the delivery men, as well as the clerical staff and sorters. And though some improvement has now been effected, it still takes 6 to 12 days to receive letters from Shanghai, and four days or more for the delivery of letters from Harbin.

It is feared that enormous quantities of mail, including registered letters, have been miscarried during this period of confusion.

In the Japanese railway zone letters for China and foreign countries are now, as a general rule, posted at the Japanese post offices. It will take many many months to organize a Manchukuo postal system comparable in efficiency with that operated under the Chinese Directorate General of Posts.

All Chinese higher educational institutions, including the North-Eastern University have remained closed down since the Mukden incident.

FOREIGN OPINION

As far as I could ascertain, foreign opinion, though sceptical regarding the actual incident which brought about Japanese intervention, was not unfavourable to the Japanese when they decided to take positive action. The policy of pinpricking and obstruction which exasperated them, had been adopted, though in less flagrant forms, towards other foreign interests.

But most responsible foreigners now take the view that the Japanese went very much further than was expedient or necessary, and are by no means convinced that the new earthly paradise which has been promised, will ever materialize.

Among Chinese business interests, I was told, there was a feeling of optimism when the independence of Manchukuo was first proclaimed. They expected that the Japanese would take prompt and effective action to restore order, and that with banditry eliminated, and the introduction of a stable currency system, trade would show a marked improvement.

They no longer feel optimistic, however. Outside official circles I met no Chinese who felt any enthusiasm for the new regime, nor did I meet a single foreigner who did not hold the view that an overwhelming majority of the better-class Chinese in Mukden are opposed to the establishment of an independent State under Japanese auspices.

Most Chinese, however, are reluctant to express hostile views, for it is dangerous to be suspected to pro-Kuomintang sympathies. Superficially, therefore, Mukden appears to be peaceful and contented with the new order.

I shall have more to say about the railway situation later, but here I might say that the only night trains now running in Manchukuo are those on the South Manchuria main-line, between Changchun and Dairen, and that the Foreign Consuls strongly advise their nationals not to travel even by these, if they can use the day trains.

CHAPTER XIV

BUSINESS AT THE OLD CAPITAL.

As I stated in my last article, the foreign firms represented in Mukden previous to the incident of September 18, last year, were chiefly interested in railway and arsenal business. The Manchurian authorities were engaged in constructing a network of railways in the Three Eastern Provinces, and large orders for equipment were placed with American, British, Belgian, German and Japanese agents. Very substantial purchases of machinery, metals, chemicals, etc. were also made by the Mukden Arsenal.

Overnight all of this business disappeared, with the Japanese occupation, leaving a number of sorrowing creditors behind. The Manchukuo Government has announced its intention of assuming responsibility (with certain qualifications) for the debts incurred by the old "militarist" regime, and has gone so far as to appoint a Committee to investigate and pass upon, foreign claims. But it has as yet produced no results, and it is not easy to see where the money to meet those obligations that are admitted, is to come from.

CONSOLIDATED RAILWAYS

Since the Japanese occupation the management of the provincial railways has been virtually placed in the hands of the South Manchuria Railway. This enterprise has its own workshops in Dairen, and much of the equipment required for these lines today, is ordered direct from South Manchuria Railway, without the issue of tenders.

Foreign business, except the trade in motor-cars, petroleum products, cigarettes and fertilizers, has been absolutely stagnant since last year. A number of foreign agencies have already decided to cut their losses, and withdraw. The firms that have done so include; Messrs Jardine, Matheson, & Co., Ltd., The Kailan Mining Administration (which did a considerable volume of business in window glass) Eduard, Meyer & Co., Horst Funcke, the French Bank, Rondon et Cie, and Klementasky.

The only business optimist I found in Mukden was a motor-car dealer, the Japanese occupation having led to an increased demand for motor vehicles of all kinds.

The Hongkong and Shanghai Bank, which at present conducts operations in what looks like a dilapidated cash-shop, had started building new and more commodious offices in one of the main streets prior to September last, and the building is now approaching completion. But it looks as if it will be a white elephant. Many prospective tenants of the office accommodation it contains have withdrawn from Mukden.

Insistence of the Japanese and Manchukuo authorities upon their determination to uphold the policy of the Open Door and Equal Opportunity led me to inquire whether there was any evidence of discrimination against foreign traders of other nationalities. There is no doubt that a considerable volume of insurance business that was formerly placed with American and British companies has now been transferred to Japanese offices. A responsible Japanese official, to whom I made this charge, replied that this was not really evidence of discrimination. Under the old regime there was deliberate discrimination in official circles against Japanese insurance companies, who were now only gaining a fair share of the business that was going. There is, I believe, considerable truth in this, though it cannot be considered to justify the return, by one of the official banks, of an insurance policy obtained from a non-Japanese company endorsed, "obtain another (i.e. a Japanese) policy."

SMUGGLING TOLERATED

The only other specific allegations which were brought to my notice related to the tolerance of smuggling at Dairen (which has now been abolished), railway supplies, (referred to above) and the alleged maltreatment of cargo forwarded through any but a Japanese transportation agency (which it would be difficult to prove).

On the whole, I think, foreign traders are disposed to adopt a "wait and see" attitude regarding the Open Door. Japan has so many natural advantages in her trade with Manchuria that there appears to be no reason why she should break faith in this matter; and incur the hostility of foreign commercial interests.

A serious attempt is being made to stabilize the currency, and has already produced some results. Undoubtedly, if it succeeds, it will be a tremendous boon to the population, who have been cruelly exploited by reckless currency inflation during the past decade.

There appears to have been no attempt to impose anything that can be described as vicious taxation upon foreign interests since the establishment of the new State. Some time before September last year an effort was made to apply the Business Tax to foreigners in the International Settlement, and a compromise was reached whereby the foreigners made contributions towards the Municipal Administration. The present Mayor of Mukden is seeking a solution along the same lines.

TRADERS HAVE SUFFERED

It ought not to be forgotten that Japanese traders, especially the smaller merchants, have also suffered severely as a consequence of the political chaos and general insecurity that followed the Japanese occupation. And Japanese factories in China Proper are likely to suffer still further from the establishment of an independent Customs regime for Manchukuo. Their losses, however, will to some extent be compensated for by the additional opportunities of competing that will be afforded to manufacturers of the same commodities in Japan.

If peace and order can be restored it seems probable that the Japanese—and possibly other nationals—will endeavour to expand their business in Manchukuo by establishing branch factories within the new State.

The world-wide economic depression has, of course, affected the purchasing power of the population, and the export trade of Manchuria. And it is estimated that banditry, floods and the dislocation of the railway system have reduced the current year's crops to about fifty percent of the average output. This must naturally, for some months to come, have an adverse effect upon the volume of imports.

CHAPTER XV

THE BANDIT PROBLEM.

The most pressing problem confronting the Manchukuo and Japanese authorities is the restoration of order, generally referred to as bandit-suppression. The bandit, in the generally accepted meaning of the word, is no new phenomenon in Manchuria. Hunghutze took part on both sides in the Russo-Japanese War, and the 1929 Report of the South Manchuria Railway estimated that there were no fewer than 57,000 bandits in the Three Eastern provinces in that year. The number has greatly increased during the past year, as the generic term "bandit" is now applied to the demoralized Chinese troops which were scattered at the time of the Japanese occupation and to other armed forces which will be referred to in some detail in this article.

I discussed the bandit problem with every Japanese and Manchukuo official, military and civil, whom I met during my visit to Manchukuo. The fullest information on the subject was given to me by Lieut-General Koiso, Chief of Staff of the Japanese Forces in Manchuria, and Major Fujimoto, of the Intelligence branch.

The Headquarters of the Japanese Army in Manchuria are at present located in Mukden in the former Office building of the Oriental Development Co. In this building I had interviews with General Muto, Head of the Japanese Delegation, Commander-in-Chief, and Governor of the Leased Territory, Mr. Tsurumi, a member of his Diplomatic Staff, and the Officers already mentioned. General Muto had been inoculated against typhoid the previous day, and was supposed to be off duty for 24 hours, but he was kind enough to receive me in his office, on the understanding that it was merely a social call. He is an elderly man, with closely cropped white hair, and a very genial manner. And he seems already to have acquired the confidence and respect of the Manchukuo officials with whom he has come into contact. In the circumstances, of course, I did not ply him with questions regarding the political and military situation. Our brief conversation consisted of commonplaces, though he made it quite plain that he took an optimistic view of the future of the new State.

PROBLEM DETAILED

From Lt. General Koiso and Major Fujimoto, especially the latter, I obtained comprehensive details of the bandit problem. General Koiso, who was formerly Vice-Minister of War, struck me as the most dynamic personality at Headquarters. In his office and subsequently at lunch he discussed the situation with the utmost frankness, and repeatedly assured me that the coup of September 18 was not a prearranged scheme of the Tokyo War Office. Major Fujimoto who speaks fluent English, explained the situation with the aid of a map.

The bandit problem, according to the Japanese military, has to be considered under several heads. The word "bandit" is loosely used to describe various anti-Japanese and anti-Manchukuo forces, as well as mere predatory criminals. Roughly the Manchukuo bandits may be divided into four groups:

1. Political forces, mainly consisting of the so-called "volunteers," and scattered units of the former Manchurian Army, which possess a military organization, and are supposed to be encouraged and financed by Marshal Chang Hsueh-liang and the Nanking Government. The estimated number of these is 69,000.

2. Religious or fanatical organizations, such as "Red Spears," and "Great Souls," which are usually poorly armed, but believe that by the use of charms they can secure immunity from bullets. They number some 16,000 and operate chiefly in Eastern Fengtien, between Mukden and the Korean border. Many of them are Hopei and Shantung Chinese, and they derive their supplies from the Yalu, where they are smuggled in from their native provinces. Extensive military operations for the suppression of these bandits were inaugurated in the second week of October, Japanese troops on the Korean border cooperating with forces East and North-East of Mukden in an attempt to hem them in.

3. Hunghutze—the old-style bandit who has carried on his depredations in Manchuria with increasing audacity for the past thirty years. They are supposed to number some 62,000, and their suppression will perhaps prove the most difficult task of all.

4. So-called peasant bandits—not robbers by inclination or profession—who have taken to this calling on account of economic and political conditions. They include men whose villages have

been looted, and whose crops have been destroyed by other groups of bandits, or who for one reason or another have been reduced to the verge of starvation. They number about 65,000, and are regarded with greater sympathy by the Japanese authorities than the other three groups.

SERIOUS SITUATION

The estimated total of the various classifications of bandits in Manchukuo is, therefore, 212,000, of which there are approximately 100,000 in Fengtien, 71,000 in Kirin, and 38,000 in Heilungkiang.

The seriousness of the situation they have created may be estimated from the fact that no railway in Manchukuo is now operating night trains except the main line of the South Manchuria Railway.

Opposed to the forces that are creating disorder are some 33,000 Japanese and 120,000 Manchukuo troops. The Japanese Forces, exclusive of a Korean Brigade which is in process of withdrawal, and of the Railway Guards and Gendarmerie (who are not included in the above total) consist of the Second Division, with Headquarters at Kirin; the Eighth Division, with Headquarters at Chinchow, which operates in the Mukden-Shanhaikuan Railway area; the Tenth Division, with Headquarters at Harbin; and the Fourteenth Division, and a Cavalry Brigade, with Headquarters at Tsitsihar. For the moment the Japanese Command is concentrating its energies upon breaking up the larger groups of anti-Manchukuo forces. It expects to accomplish this task within the next twelve months. But the complete extermination of banditry in Manchuria may, in the opinion of responsible Japanese officers, take from five to seven years.

Operations against the anti-Manchukuo forces and bandits have been rendered exceedingly difficult during the past few months by the nature of the Manchurian crops. Kaoliang, which is one of the main crops, grows to a height of eight to ten feet or even more, is thickly planted and affords impenetrable cover even to large numbers of men. I do not know whether the Kaoliang harvest is unusually late this year, but all the way from Changchun to Harbin, when I made the trip in the first week of October, there were un-reaped kaoliang fields extending almost continuously to the horizon. Greater military activity on the part of the Japanese and Manchukuo forces is expected after the Kaoliang has been cut.

Of the bandit-infested areas in Manchukuo, Fengtien province is the worst. To the East, on the Korean border, as already mentioned are the "Red Spears" and "Great Souls." To the West and North in the vicinity of Payintala, Koupangtzu, Hsinminfu, etc. are numbers of Volunteers alleged to be under the direct control of Marshal Chang Hsueh-liang. I was informed that if the young Marshal continues to take an active part in the direction of anti-Manchukuo operations steps would be taken to get him out of Peiping.

In Kirin Province Wang Te-lin, with a well-organized force of some 3,000 was recently defeated by the Japanese near Tunhua, and driven towards the border in the vicinity of Progranitchnaya. Here he continues to hold a section of the Chinese Eastern Railway with the result that the Suifenho Customs is not yet under the control of the Manchukuo Government. Further North are two more anti-Manchukuo forces, remnants of General Ma Chan-shan's Army, one under the command of Ting Chow, operating in the Mishan area near Lake Honka, and the other under the command of Li Tu, in the North-east of the Province. South-east of Harbin a force under General Feng Chan-hai (whose men are supposed to have derailed the express that contained Messrs. Kinney and Penlington) has been beaten by the Japanese, and retreated across the C.E.R. in the direction of Jehol Province. A shortage of clothing and arms contributed to his withdrawal.

In Heilungkiang the Japanese claim to have defeated another of General Ma's former armies, near Hailung and driven it over the Sungari. Another hostile group is in the vicinity of Heiho, and Li Hai-ching was last reported in the vicinity of Anda, between Harbin and Tsitsihar, on the Western section of the C.E.R. He is supposed to have been slain in a recent battle.

Local reports of occurrences in Manchuria are most unreliable, but it seems clear that the latest interruption of the Harbin-Manchuli section of the Chinese Eastern Railway is attributable to a revolt by General Su Ping-wen whose headquarters are at Hailar, and who is supposed to be co-operating with Li Hai-ching in an attempt to occupy the whole of the Western sector of the Railway. The Japanese appear to have suffered considerable loss of life both among their frontier guards and civilians in towns on this sector, and also on the trains. It is not considered safe now for Japanese

to travel even on the branch line from Angangchi to Tsitsihar; Japanese passengers are reported to have been murdered by bandits or railway guards both on this line, and on the main line between Manchuli and Harbin, and some scores of Japanese frontier guards appear to have been killed during or after the occupation of Manchuli. Undoubtedly feeling runs very high against the Japanese among the anti-Manchukuo forces operating in Western Heilungkiang.

TSITSIHAR REINFORCED

It was reported the day I left Harbin that strong Japanese reinforcements were being sent towards Tsitsihar by the Ssuningkai-Angangchi Railway, and I noticed a Japanese troop-train apparently ready to start, when I passed through Ssuningkai.

I suggested to one Japanese Officer that the apparent inactivity of the Japanese military on the Eastern and Western sections of the Chinese Eastern Railway suggested an attitude of almost cynical indifference to the safety of his nationals in this region. His reply was that the restoration of order on the Manchuli-Pogranitchnaya line of the C.E.R. was a problem of extraordinary delicacy as well as potential danger. The Japanese did not want to come into collision with the Soviet, and for that reason had refrained from the occupation of the main line, and from moving troops towards the frontier. The facts, however, remain: that the Eastern line has not been working since April; the Western sector was put out of action for nearly two months by floods, and is now apparently interrupted for an indefinite period by the activities of Su Ping-wen and Li Hai-ching; and that the Hulan-Hailan-Railway, which ceased running in June, and which was occupied a few weeks ago by Japanese forces has been reoccupied, since their withdrawal, by anti-Manchukuo units. Serious material damage to the Provincial railways in the form of the destruction of bridges and tearing up of the tracks, is constantly being done by bandit groups. And grave fears are entertained that attempts will be made to destroy the Khingan tunnel—which is over three kilometres in length—if Japanese or Manchukuo forces are despatched Westward of Tsitsihar.

LINE NOW PARALYSED

It seems at least an open question whether the Soviet would not prefer effective Japanese protection of the Railway to the continuous interruption, and intermittent acts of sabotage, which

have paralysed the whole line. Destruction of the Khingan tunnel might put the Western sector out of commission for a year or more.

Among the foreign communities in Manchukuo there are some, at least, who cherish a suspicion that the Japanese, although indignant over the murders of their nationals, are not over-anxious to see regular traffic upon the Chinese Eastern Railway, restored. The present situation gives the South Manchuria Railway a virtual transportation monopoly for incoming and outgoing cargo. Opposed to this suspicion, however, is the fact that order and a stable government can never be established while the Chinese Eastern Railway is subjected to almost continuous interruption.

As regards Jehol, I understand that the Japanese Military look upon Tang Yu-lin as a "grey" General—in other words a fence-sitter. He is credited with only some seventeen thousand troops, 12,000 at Jehol, and 5,000 in Dolonor. At present he appears to be leaning towards Peiping rather than Changchun, but there are indications that he is anxious to avoid an open conflict with the Manchukuo Government. It is undoubtedly intended to include Jehol in the new State. It is one of the "five Provinces" for which administrations are being created. And there is little doubt that—unless for the coming winter the Japanese and Manchukuo forces are too preoccupied with military operations in other areas—Jehol will soon be summoned to tender its allegiance.

"REWARD" REGULATIONS

At Japanese Headquarters in Mukden I was given a rough translation of a document alleged to have been found upon one of the "volunteer" commanders who fell into Japanese hands in Fengtien. It consisted of a series of "Anti-Japanese Volunteer Rewards Regulations," and was presumed to be issued under the authority of Peiping. For killing Japanese officers the rewards ranged from \$2,000 for a Lieutenant or Captain to \$30,000 for a full General. Varying rewards were also offered for the capture of guns, machine-guns and aeroplanes, and the wrecking of trains. For the kidnapping of foreigners (Britons and Americans being specifically mentioned) there was a reward of \$1,000 apiece, but the captives were not to be killed.

Various remissions of taxation were offered to towns and villages which organized resistance to Japanese forces, penalties being prescribed for the families of individuals who assisted the Japanese.

USE OF MANCHUKUO TROOPS

The avowed policy of the Japanese Military is to use Manchukuo troops as far as possible for bandit suppression, and campaigns against anti-Manchukuo forces, Japanese troops only acting in support. But one Japanese officer frankly admitted to me that under existing conditions it was usually necessary to put the Japanese forces in the van. The Manchukuo troops—as was demonstrated in the Sino-Russian conflict of 1929—are of very poor quality, and extremely unreliable. Recent recruits, according to information I received from a Chinese source are little better. In fact, it was suggested that one of their motives in enlisting is to secure munitions which they can hand over to hostile units.

Wherever possible the Japanese appear to take drastic reprisals for attacks upon enterprises owned by their nations. There was a serious bandit raid, for example, upon Fushun, on the night of September 15, which resulted in a number of casualties among the Japanese mines staff, and so scared the labourers as practically to cause a suspension of work for two or three days. A Japanese military expedition is reported to have inflicted severe punishment on one or more of the village suspected of harbouring the bandits concerned.

CIVILIANS BOMBED

Bombing planes are extensively used in anti-bandit work, and cause heavy loss of life not only among the bandits but among the civilian population. It is reported that after his revolt General Su Ping-wen informed the Japanese Command that the Japanese he had captured in Hailar and elsewhere were being well-treated, but accommodated in the upper storeys of the buildings in which they were housed. With such large distances to patrol and to cover, I suppose there is no practicable alternative to the use of aeroplanes. But their employment makes new enemies as well as destroying old.

Attempts are being made by giving them a leaven of Japanese officers and instructors, and regular pay, to improve the morale and discipline of the Manchukuo forces. But it is admitted that this is a problem that requires very careful handling, if it is not to provoke disloyalty rather than loyalty, and that effective reorganization will be a lengthy task. I was surprised to notice on the Changchun-Harbin sector of the Chinese Eastern Railway that the Blockhouses at each end of the Sungari Bridge (736 metres in length, and the

most vital spot on this line) were garrisoned by Manchukuo forces. And personally, I felt considerable relief when I found that the South-bound train was to be escorted right through by a Japanese unit.

The task confronting the Japanese in Manchukuo today resembles in some respects that of the British during the guerilla war stage in South Africa, but on a much larger scale, and with (relatively) much smaller forces. The aeroplane gives them greater mobility, but they are dealing with a much larger area, and an infinitely larger population.

General Koiso, the Chief of Staff, told me that it would take a long time to restore complete order, which, in his opinion, would not be accomplished by military action alone. There must be industrial and transportation developments, and officials of all grades, military and civil, must be well and regularly paid; otherwise they were inclined to co-operate with the bandits.

EXPENSE NOT CONSIDERED

I asked him whether it was intended that Manchukuo should contribute to the cost of the Japanese forces in its territory, and he replied that this question had never been raised, as yet. He expected more striking progress to be made after the harvesting of the kaolian crop, though he feared that many of the bandits would escape to the mountains for the winter. During my stay in Mukden there had been a three-day Staff Conference to discuss bandit-suppression.

Last winter the Japanese forces suffered far more casualties from the cold than from actual fighting, and this although it was, for North Manchuria, an unusually mild season. No doubt they are better prepared in the way of clothing, etc. for the coming cold season. But even so they are likely to suffer more acutely than their enemies who have become acclimatized to Manchurian weather.

CHAPTER XVI

THE FUSHUN COLLIERY.

The most important of the subsidiary enterprises of the South Manchuria Railway is the Fushun Colliery, situated about 33 miles East of Mukden, and connected therewith by a branch railway. It is one of the largest open-cut mines in the world. I spent an instructive day there under the guidance of Mr. Umejira Dai, one of the senior engineers.

My first visit was to the Head Office, where there is a large bas-relief model of Fushun and the District showing the location of the mines, shale-oil plant, and other undertakings.

The Fushun coal deposits are supposed first to have been worked by Korean colonists, some six hundred years ago. Three hundred and fifty years later further mining was prohibited on the ground that Fushun was in the vicinity of the ancestral tombs of the Manchu Dynasty. In the last decade of the nineteenth century, however, work was resumed by the Russians, who sunk a number of shafts on the site of what is now the largest open-cut.

The coal seam at Fushun is ten miles in length and $2\frac{1}{2}$ miles in breadth. Its thickness ranges from 420 feet at the west end to 97 feet at the eastern extremity, and the coal area is 22 square miles. The total deposit, including the coal already mined is 700,000,000 tons of which six hundred millions still remain to be extracted. It is semi-bituminous in composition, the coal in the Eastern half having coking properties, and that in the rest of the mine being used mainly for steam-raising and heating purposes.

The Railway Company has invested some Yen 123,000,000 in the Colliery and miscellaneous industries connected with it.

When the South Manchuria Railway took over the colliery its daily output was only 300 tons. Today the daily output is about ten thousand tons, and the mines are equipped for a maximum output of 30,000 tons. In addition to the open cuts there are two shafts, and two slope mines. The Colliery employs about 3,000 Japanese and twenty thousand Chinese.

THE LARGEST OPEN CUT

The largest of the open cuts, which I visited immediately after lunch, is the Kojoshi Mine, which has a maximum output of 15,000 tons per day. It is some three miles in length and averages one mile in width and is roughly in the form of a figure-of-eight crater. The enormous depression is encircled by spiral terraces on which are laid the lines for the electric railway that collects the coal and hauls it to the skips or to the coal yards. Excavation is done by large steam or electric shovels, which scoop out the coal and drop it into the adjacent coal-cars. Each train as filled begins its circuitous journey to the lip of the crater unless its function is to feed one of the large skips by which the coal is raised to the screening plant preparatory to being loaded and despatched. These skips each have two thirty-ton cars, which alternately ascend and descend a steep inclined railway, being hauled up by cables attached to huge electrically operated drums. It is a wonderful sight to stand at the top edge of the cut and see steam shovels, and electric trains at work, the labourers on the terraces and floor of the cut looking like so many ants in the distance. Removal of coal and of the over-layer of shale is assisted by dynamite, certain hours being fixed during the day and night when the charges are exploded. One of the largest and newest of the electric-shovels which I saw at work had been made in Japan.

There is a thick covering of shale over the coal-seam, which has to be removed to facilitate mining. In the old days this shale all went to waste. Today its oil content is extracted by a special plant and the residue is used for back-filling the worked out galleries in the shaft-mines. The actual extraction of oil is not by itself a paying process, as yet, but as back-filling is required in the underground galleries, and the shale has to be removed anyhow, the shale-oil plant justifies its existence. To this plant I was next escorted. Some years ago samples of Fushun shale were sent to Scotland, and other places for experiments. They were found to contain an average of six percent of oil, and it was therefore decided to inaugurate a shale-oil industry. But the plants in use in other parts of the world were not considered suitable, and the Fushun engineers succeeded in inventing an internal heating system of their own, which gives better and more economical results and has been patented, in Japan and abroad.

A COMPLEX PROCESS

The process employed produces sulphate of ammonia, crude oil, coke, and crude wax. The eighty large retorts of which the plant consists, can each handle fifty tons of shale per day with an average production of $2\frac{1}{2}$ tons of crude oil. The shale is transported to the plant in goods wagons, whence it is tipped out onto a large screen and broken into a convenient size by hydraulic rams. After dropping through the screen it is conveyed to the revolving teeth of the first crusher, and thence to another crusher which reduces it to the size required for the retorts. In these the oil and other contents are extracted by heat, the gas produced being taken off to other parts of the works and deprived of its more valuable by-products en route, finally to return to the retorts as fuel. The used shale is extracted from the base of each retort by a revolving blade, and drops into a tunnel below whence it is automatically conveyed to and loaded on waiting trucks for conveyance to the mine shafts. The by-products go through various purifying processes, finally to emerge in the form of crude oil, fuel oil, sulphate of ammonia, coke and crude and refined wax. Oil and wax are exported to Japan in special receptacles for further treatment. The Fushun plant can now handle about 1,360,000 tons of shale per annum, and by-products from which are: 69,700 tons of crude oil; 53,000 tons of fuel oil; 18,200 tons of sulphate of ammonia; 5,000 tons of coke; and 20,000 tons of crude and refined wax.

I was taken through a veritable labyrinth of machinery for purifying, reheating, cooling and collecting the oil, wax, gas and other products of the plant. The Fushun management is justifiably proud of its ability to put the shale to this use without actual loss to the company, as shale-oil plants in America with three times the oil content of the local variety are unable to pay their way.

Time did not permit of my seeing the Fushun Power station of 80,000 kilowatts capacity which not only supplies all the electric current required for the mines but furnishes power and illumination to the Japanese Concession and part of the Chinese area in Mukden, and to stations and railway areas far up and down the main line; the sulphuric acid plant, which has an output of 100 tons daily; the coke-oven plant which supplies the town with gas, and produces coke for domestic use; or the extensive repair shops.

LABOUR IS WELL TREATED

The Chinese labour at the mines, which has been recruited for the most part from Shantung and Chihli, receives exceptionally good treatment. The average wages for an eight hour day are eighty sen which is paid direct to the workers—the former contract system having been abolished and replaced by a scheme by which the foreman receives a fixed percentage on the wages of the men under him. Labourers are given free residence, fuel, electric light, water, baths, hair-cuts, etc.—in fact have no expenses except food and clothing. These necessities are provided at nominal prices by the Colliery management at co-operative stores and eating-houses.

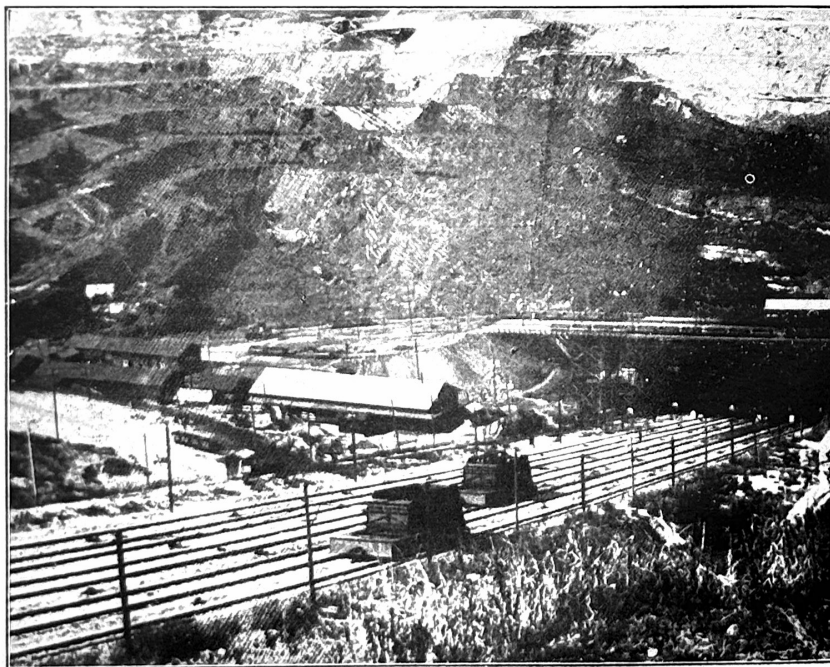
The finger-print system has been adopted as the only satisfactory method of identification. Liberal treatment, including free medical attendance and hospital accommodation, and substantial bonuses are given to workers who are incapacitated as a result of accident or sickness. And a large pleasure-ground in which free theatrical and cinema entertainments are given has been set aside for the use of the workers. Educational facilities are also provided for their children. The result of this treatment is that a large proportion of the Chinese employees enter the permanent service of the Company and that recruiting on a large scale is no longer necessary.

Fushun was the scene of a serious attack by bandits during the night of September 15, and during my visit there armed Japanese volunteer reservists were on watch on the outskirts of the town. Only a small force of Japanese troops was available when the bandit incursion occurred, and they were kept fully occupied in guarding the vital portions of the mining area.

The Fushun coal deposits are expected to be worked out in another forty years or so, so that in the interval efforts will presumably be made to prepare the town for conversion into an industrial centre.



Harbin Floods



The Fushun Colliery Open Cut

CHAPTER XVII

DAIREN AND THE SOUTH MANCHURIA RAILWAY.

The South Manchuria Railway Company, generally known by its abbreviated Japanese name "Mantetsu" is the foundation upon which Japan has built up her vast interests in Manchuria, and has proved itself one of the greatest civilizing agencies in the Far East. The Company not only operates over 1,000 kilometres of standard gauge railway, and extensive workshops for the manufacture and repair of equipment. It has developed the Fushun Collieries, the Anshan Ironworks, the harbour and public utilities of Dairen, and a large number of subsidiary enterprises, such as steamship lines, schools and hospitals, museums and research Laboratories, and the well laid-out Japanese Concessions at the more important centres on the railway.

I have for many years regarded the Canadian Pacific Railway Company as the most efficient transportation enterprise in the world. The operation of the South Manchuria Railway will bear comparison with it, for punctuality, cleanliness and comfort. It is a treat to get on to its trains, always spotlessly clean and on time, and to travel smoothly over what appears to be a handpicked ballasted track, after years of experience of the vagaries of Chinese railways.

HEAD OFFICE AT DAIREN

The Head Office of the South Manchuria Railway is at Dairen, the commercial port which the Russians had begun to develop under the name of Dalny, a few years prior to the Russo-Japanese War. I have visited Dairen three times during the past 22 years. On the occasion of my first visit there had been but little development except in the old Russian section. But the city has now spread South and East and West; most of the office buildings and residences are now South of the railway. And the streets have been laid out with an eye to the future.

The main thoroughfares are much broader than any roads in Shanghai except the Bund and Avenue Edward VII. Fine broad highways also connect Dairen with Hoshigaura, Port Arthur, and

other points in the Leased Territory. Trams, busses, taxis, droskies and rickshaws are plentiful, and inexpensive. Within easy reach of Dairen in Hoshigaura, which has been developed as an attractive seaside resort. The Yamato Hotel, detached hotel and some fifty bungalows are located in a picturesquely laid out park on the seashore, and provide ideal quarters for summer visitors who enjoy bathing, golfing, fishing or walking, at what are (at the present Yen exchange) extremely moderate terms.

The trip to Hoshigaura can be made in about a quarter of an hour by motor-car or half an hour by tram, and there is also a frequent bus service operated by the Yamato Hotel at Dairen. The South Manchuria Railway Company has also developed another summer resort at Ogondai Beach, Port Arthur, which can be reached from Dairen in one hour by car or railway.

DEVELOPED BY JAPANESE

Under Japanese control Dairen has been developed into one of the largest ports in the Far East, with wharf and cargo-handling equipment which are not excelled in any other part of the world. When Japan acquired Dairen the Russians had only completed one pier, and dredging of the harbour had hardly begun. Today the harbour is enclosed by breakwaters aggregating 3,887 metres in length, enclosing 2,961,000 square metres of water, with wharf and quay space sufficient to accommodate 39 5,000-ton vessels at one time.

The main wharf has a passengers' waiting-hall which can accommodate 5,000 persons. On the cargo wharves are to be seen every variety of mechanical equipment for the speedy loading and unloading of cargo. There is a large four-storeyed godown extending the whole length of one wharf, each floor being stepped back from the one below to allow the large electric cranes to deposit cargo on any floor required. On the other side of this godown are electric cranes for loading or unloading cargo direct into or from railway trucks. There are 120 kilometres of railway tracks on the wharves, and the railway-wagons are supplemented by petrol and electrically operated tractors of various types.

The modern cargo-handling equipment has enabled ships at Dairen to load nearly 5,000 tons of beans and beancake in 24 hours, and to unload nearly 1,500 tons of cargo in an ordinary working day.

A special coal-loading wharf, with a storage capacity of 250,000 tons, at Kanseishi, on the opposite shore to the harbour can handle 25,000 tons of coal per day, and can coal individual vessels at the rate of 472 tons per hour. There is also special squipment for loading bean oil in bulk, grain, etc. From nine to 15,000 coolies are employed on the wharves daily. Upwards of 4,000 vessels enter the port annually.

THE FREE PORT FEATURE

Dairen is a free port. Passengers' luggage, on entering, is only searched for tobacco and spirits, on which there are municipal taxes. Under an agreement dated 1907, however, a Chinese Maritime Customs House was established in Dairen to collect import duties on cargoes destined for, and export duties on cargoes originating in, Manchuria. This Customs House, as is generally known, has now been taken over by the Manchukuo Government after a somewhat acrimonious exchange of correspondence between the Inspector General and the local Commissioner. I was told that since the transfer of authority the Customs regime had been considerably tightened up, it being the obvious intention of the Manchukuo Commissioner to collect the maximum duties obtainable under the Tariff at present in force.

Smuggling, which became so rampant as seriously to affect foreign business agencies in Manchuria, in the latter part of 1931 and the early months of this year, has been checked, if not completely suppressed, since the formal establishment of the new State. Its revenues would have been seriously affected had this abuse continued to be tolerated.

In the Department Stores at Dairen articles of foreign manufacture can today in many instances be obtained at a fraction of their cost in the retail shops in Shanghai, partly because they have been imported duty-free, but mainly because they arrived before the recent fall in the value of the Yen. This applies to articles of clothing, watches, cameras, etc.

There is an atmosphere of prosperity and security about the farms in the Leased Territory, though their owners must have suffered to some extent from the prevailing depression. It was pointed out to me that most of the farm-houses are substantially built, in the midst of the farms, and not congregated in villages behind walls—a tribute to the security of person and property in the Kwantung peninsula.

CHAPTER XVIII

TRADE AT DAIREN.

The trade of Dairen has not been adversely affected by the events of the past thirteen months. The Customs returns for the first six months of 1932, compared with those for the same period in 1931, show a slight increase. But this does not tell the whole story. As already mentioned, there was a veritable orgy of smuggling from the Leased Territory into Manchuria during the last quarter of 1931 and the first quarter of 1932. Smuggling was carried on so brazenly and openly that certain transportation companies were offering to deposit in cash the full value of a cargo to be transported, say, to Mukden, at a fixed charge, on the understanding that the deposit would be returned on the arrival of the goods at their destination.

The Japanese authorities were subjected to considerable criticism for their failure to check this smuggling. But the Chinese Government itself, was by no means blameless. By cancelling the drawback system and treating duty-paid cargo shipped from Shanghai to Dairen for Manchuria as if it came from a foreign port (i.e. subjecting it to full import duty at Dairen) they indirectly encouraged smuggling. It was not unnatural that importers of foreign goods into Manchuria should object to the payment of double duties.

SMUGGLING STRENGTHENED DEMAND

Few foreign firms (other than Japanese) have their head offices in Dairen. Most of them are branches or distributing agencies of firms which have their head offices in Shanghai or elsewhere. Many of these local branches did a far larger turnover during the intensified smuggling phase. A strong local demand for cargo for which there were usually but few inquiries, sprang up, cash being paid for commodities which were destined to be smuggled up country.

The effect of this local demand was to increase the turnover of the local agencies at the expense of the distributing system which had been built up in the interior. To take but one example,

standard brands of kerosene were being sold in Manchuria at prices considerably lower than those listed by the recognized agents. Complete disorganization of the elaborate distributing system built up during the past decades by the oil companies was threatened. They had to meet the situation by reducing their prices to the same level as those asked for smuggled kerosene.

Refusal of Exemption Certificates to duty-paid foreign cargo exported to Manchuria via Dairen from Shanghai and other Chinese ports—which constituted a deliberate attack upon Dairen as the main port of entry for Manchurian imports—caused far greater inconvenience to non-Japanese than to Japanese firms. The latter normally imported most of their cargo direct from Japan. American, British and other importers to avoid double-duty payments, had to arrange for trans-shipment at Hongkong or Kobe, or alternatively, to route the cargo via Antung or Newchwang.

ANTI-DAIREN MOVE

A similar form of discrimination against Dairen is now being enforced under the Customs Notification issued in Shanghai on September 24, 1932. Export duty is being charged on all native goods shipped from Shanghai to Dairen, but not upon similar cargo shipped to Antung, Newchwang, Harbin and Lungchingsun. Full import duty is being charged upon all cargo reaching Shanghai from Dairen, but only interport duty and surtax on cargo from the other Manchurian ports.

When I left Dairen foreign merchants were wondering what steps would be taken to offset this discrimination. Various possibilities were suggested, such as the imposition of compensating duties (import and export) at Antung and Newchwang, or prohibitive railway freight rates for cargo landed at or exported from these ports. No-one imagines that the Japanese Government will take this discriminatory treatment of Dairen lying down.

It may be doubted whether the full consequences of proclaiming the Customs autonomy of Manchukuo were realized when this step was adopted. The levy at Shanghai of export duty and Factory Products Tax upon the products of the Japanese Cotton Mills, and at Dairen of the full import duty on these products by the Manchukuo authorities, must have a serious effect upon the sale of cotton yarn and cloth manufactured by Japanese mills in

China. Similarly, the levy at Chinese ports, of full import duty on all Fushun coal imported from Dairen (which is the only port that has the requisite facilities for loading coal) is likely to give a stimulus to the consumption of coal produced in China Proper. It is obvious that Japan (or Manchukuo) cannot have it both ways. But the wisdom of China's adopting a discriminatory Customs policy towards Dairen is to say the least, doubtful. The Maritime Customs there stood on almost the same footing as the Customs House at Antung and Newchwang. And as long as the *de facto* independence of Manchukuo is maintained it seems futile to irritate the Japanese by treating Newchwang and Antung as Chinese, and Dairen as foreign, ports.

INTERRUPTION OF C.E.R. AIDS DAIREN

The complete paralysis of the Chinese Eastern Railway system is calculated to stimulate the export and import trade of Dairen for some months to come. Vladivostok can no longer be regarded as a port of entry or exit for the trade of Manchuria. But as long as the Southern branch of the Chinese Eastern Railway maintains its present prohibitive tariff, trade with North Manchuria will be beset with difficulties. The Japanese are, of course, attempting to circumvent this obstacle by exploiting the Ssupingkai-Taonan-Angangchi Railway, and the lines connecting Mukden and Changchun with Kirin. They have, I believe, demonstrated the possibility of transporting cargo between Harbin and Dairen by rail and water (the change being made at Changchiao on the Nonni River) at lower freight rates, but this route will not be available during the cold season. There appears to be no suggestion that the Chinese Eastern Railway will lower its Harbin-Changchun freight rates temporarily, to provide an outlet and inlet for the trade of North Manchuria.

The railway systems of Manchuria—the South Manchuria line excepted—are at present so disorganized, and subjected to such frequent interruptions from acts of sabotage, etc., that it may be doubted whether it will prove possible to handle more than a fraction of the current season's crops during the coming winter.

I heard no complaints of actual discrimination against non-Japanese trade in Dairen, where, indeed, the foreign mercantile community seemed more optimistic than that of Mukden. The currency question is not nearly so acute in Dairen as in Manchukuo, though the violent fluctuations between the gold and silver Yen have at times had an unsettling effect upon the market.

CHAPTER XIX

ATTITUDE OF THE FOREIGN COMMUNITIES.

During the few weeks I was in Manchuria I must have discussed the situation there with some scores of persons, official and unofficial, Chinese, Japanese and other Foreigners. And in the next few articles I propose to put my impressions on record. First I will deal with the foreign attitude. As far as I could gather, Japan's recourse to positive action in September of last year was not unexpected by the foreign communities nor was it viewed with disfavour. They may have been sceptical as to the exact pretexts used to justify the occupation of Mukden and the extension of Japanese military activities to other parts of Manchuria.

But they realized that Japan had had intense and continuous provocation, and many of them at any rate, took the view that matters were rapidly approaching a point when the Japanese Government would have to choose between fighting for, or abandoning, its interests in Manchuria. The non-Japanese foreign communities had not suffered to the same extent as the Japanese from the policy of pinpricking and obstruction, and the agitation for the recovery of national rights. But in South Manchuria they had seen the effects of this policy, so far as the Japanese were concerned, and in North China the treatment of the White Russians had for several years provided an object lesson of what was to be expected when foreigners were subjected to unrestricted Chinese control.

There is today, a general feeling among foreigners that the Japanese have gone very much further than was expedient or necessary in their attempt to vindicate their Treaty rights, and to uphold their interests, in Manchuria. And the future is viewed with mixed feelings, and considerable misgiving. I found both optimists and pessimists, as far apart as Dairen and Harbin. It is in Mukden, perhaps that foreign interests have suffered most acutely from the overthrow of the Chang Hsueh-liang regime, and it is there, naturally, that one finds the most pessimistic outlook. A large and lucrative business had been done in machinery, equip-

ment and materials for the Arsenal and the Provincial Railways. All that came to a standstill overnight, and liquidation of outstanding indebtedness has not yet begun, although thirteen months have elapsed.

NO REAL OPTIMISM

The immediate outlook is not calculated to beget optimism. Life and property have never been so insecure—outside the South Manchuria Railway Zone—as they are today. Travel on any of the other railways is now a somewhat hazardous adventure, and many travelling agents of large foreign distributing concerns have had to give up their periodical visits of inspection to agents in the interior.

The pledges of Japan and of the Manchukuo Government strictly to observe the policy of the Open Door and equality of opportunity are regarded with considerable scepticism. It is, however, generally realized that in certain commodities—cotton piece-goods for example—American and European firms have not the slightest prospect of competing with Soviet agencies in the North or the Japanese in the South, even if no discrimination of any kind is practised. Moreover the Japanese and Korean population so far outnumber all other foreigners in Manchuria combined that there is little hope, today, of foreign importing agencies effectively competing in any products—raw or manufactured—that come from Japan or Korea. There are few if any foreign retail stores other than Japanese and Russian—in any part of Manchuria. The Japanese trader already enjoys a virtual monopoly throughout the South Manchuria railway zone, but this has not affected the consumption of certain manufactured articles of non-Japanese origin, such as cigarettes, kerosene, and certain kinds of machinery.

What future there is for foreign trade in Manchuria will apparently be confined to raw and manufactured materials which the Japanese Empire cannot produce, and even in regard to these, there is a widespread feeling that the greatest volume of business will be done by those who entrust their agencies to Japanese firms. With numerous Japanese firms, with comparatively low overhead expenses, competing intensively for the Manchurian market, the path of the foreign importer who maintains his own organization, is not likely to be a smooth one.

JAPANESE PREDOMINATE

It should not be forgotten that the Japanese and Koreans in Manchuria outnumber the other foreign communities combined (Russians excepted) by at least three hundred to one. If in a country like Persia there were some 200,000 British subjects and 700,000 British Indians, and only one or two thousand Japanese, one could hardly expect that the latter would get more than their proportion of the import and export trade. One would assume that the British subjects were there in such overwhelming numerical preponderance because they controlled the greater part of the Persian market. The same holds true in Manchuria today. The Japanese own or control most of the Railways. They monopolize the foreign retail trade throughout South Manchuria. And their commercial organizations even without discrimination against other foreigners, ought to be in a position to furnish raw materials and manufactures produced by Japan at lower rates than those asked for similar articles exported from Europe and America, and (in view of their reduced overhead) to compete against foreign agencies in the supply of manufactures of European or American origin. The Japanese do not need to enforce discriminatory treatment against the commerce of other nations to secure and retain the bulk of Manchuria's foreign trade.

GREAT INCONVENIENCE

The foreign communities have been put to very great inconvenience by the breakdown of the railway systems, and of the postal administration. Manchuria is worse served than any other part of the Far East (Siberia excepted) in the matter of foreign-language newspapers. It is impossible to follow events in the outside world, or even in China and Japan, intelligently, from the Dairen and Harbin papers, and delivery of Shanghai, Japan, and Tientsin journals is now most erratic. Many issues appear to be seized by the censor. Japanese papers are constantly arriving with portions of the news columns blacked out. The Chinese Post Office is not forwarding any mails addressed to places in Manchuria outside the South Manchuria Railway Zone. And though arrangements have been made to circumvent this ban in certain quarters, letters and papers from Shanghai may now take several weeks to reach Harbin. When I left there on October 8 the latest Shanghai papers to hand bore the date September 16, and several issues previous to that were missing.

If order could be restored, and the reforms promised by the Manchukuo Government—notably currency stabilization—could be enforced throughout the country business prospects would undoubtedly be brighter. But it is a very big "if." The only really safe part of Manchuria, today, is the Leased Territory.

Foreigners, generally, are inclined to criticize the Japanese for underestimating the gravity of the task they have shouldered. They do not believe that the Japanese forces available for the restoration and maintenance of order are numerically adequate. And they are not unnaturally inclined to become impatient regarding promises of the restoration of peace which take so long a time to fulfil.

I met no foreigners, however, who regarded a Japanese withdrawal as a possibility. Everyone seemed convinced that no matter what decisions were reached by the League of Nations, no matter what representations were made from other Governments, Japan would go steadily ahead on the path she has marked out for herself. And it thus becomes from the foreign point of view merely a question of time until order has been completely restored by the Japanese and Manchukuo forces. Looking upon a continued Japanese military occupation as inevitable, most foreigners, I think, hope that the process will be speeded up. They do not see that anyone will be benefited by the protraction of the activities of the volunteers, and continuous acts of sabotage and brigandage.

WHITE RUSSIANS PLEASED

The European community that has suffered most in consequence of the recent upheaval—the White Russians—is almost to a man in favour of the new regime. Not because its members enjoy their sufferings, but because they are convinced that any alternative to the establishment of a Manchukuo Government with Japanese support would be infinitely more disastrous to them. They would be the victims of reprisals either by the Reds or by the Chinese, and they have a lively dread of both.

If the Reds are hostile to Japan they have given very little evidence thereof. They have tolerated, without protest, the invasion of their railway zone, and the complete disorganization of the Chinese Eastern Railway. They have raised no objection to the appointment of Manchukuo officials to the Railway Board. And from Japanese sources there have been vociferous denials of reports that Reds have participated in the anti-Manchukuo activities of the old Kirin troops, and the Heilungkiang forces.

CHAPTER XX

THE CHINESE ATTITUDE.

It is not easy for the casual foreign visitor to Manchukuo to elicit from responsible Chinese, their real attitude towards the new regime. Most Chinese business men are obviously reluctant to discuss politics—especially with a stranger. Others, with that curious obliquity of mind which is the despair of the foreigner, advance any reason but the right one for their hostility towards the Manchukuo Government or the Japanese. I was for example, solemnly told in Dairen that the reason that the Chinese there disliked the Japanese so intensely was that they allowed the Chinese population to gamble, but refused to accord a similar privilege to their own nationals!

I did not during the whole of my trip, meet a single Chinese outside Manchukuo official circles who favoured the new regime. I met a number who made no secret of their opposition to it, and others who contented themselves with evasive replies. The numerous foreigners (other than Japanese) in close touch with local Chinese in business and otherwise, of whom I inquired the attitude of the population towards the new State were unanimous in reporting opposition thereto.

Several Japanese to whom I mentioned what I had been told replied that I had not met enough Chinese: that there were thirty millions of them; and that I could not justly reach a correct estimate from a few interviews or from second-hand information. They did not, however, advance the argument that all of the thirty million oppressed Chinese looked upon the Japanese as liberators.

SCORPIONS AND WHIPS

The Lytton Report makes it quite clear that there were numerous defects and abuses in the government of Manchuria, previous to September 18, 1931; that nepotism, corruption and maladministration were rampant; and that high taxation and deliberate depreciation of the currency were among the means used by the officials to gather wealth for themselves and their favourites.

Most Japanese do not appear to realize that the principle of relativity should be applied to the abuses mentioned above, which have been common knowledge among foreigners in Manchuria for a decade past. Millions of Chinese have emigrated to Manchuria from Shantung and Chihli, to escape the oppression and misrule of the militarists who misgoverned these provinces. They exchanged the "scorpions" of men like Chang Tsung-chang and Chu Yu-pu for the "whips" of Marshals Chang Tso-lin and Chang Hsueh-liang. Conditions which to an occidental or a Japanese must have appeared intolerable were to them an improvement upon those that prevailed in their native provinces.

ENDURANCE OF SUFFERING

One of the senior Japanese members of the Manchukuo Government, when discussing the outlook for the future in the West, expressed the opinion that if Europe succumbed to Communism, such suffering as the civilized peoples of the world had never hitherto imagined possible, would overtake them. But, he added, it would be different in China. The Chinese people have been accustomed to oppression and misrule for generations; their sufferings have been aggravated by the civil wars and general lawlessness that have followed upon the overthrow of the Monarchy; the spread of communism in China would cause suffering—intense suffering—but the difference would be that it would merely be an intensification of the ills to which a large portion of the Chinese population is already accustomed.

The Chinese population of Manchuria was not so resentful over the misgovernment of its late rulers as the Japanese would have the world believe. There can, I think be little doubt that many Chinese regard an orderly government, fixed rates of taxation, and stern measures for the enforcement of discipline as a greater affliction than exorbitant taxation which has an element of bargaining in it, and a *laissez faire* attitude towards other administrative problems. Was it not the late Lord Cromer who said something to the effect that one of Britain's difficulties in dealing with her Eastern possessions was that their inhabitants were prone to prefer the worst government of their own devising to the best government imposed upon them from outside

DISTASTEFUL EFFICIENCY

Between the Japanese and the Chinese there has for years past been a growing antipathy. The efficiency at which the Japanese aim in whatever they undertake is distasteful to the Chinese. They do not desire or appreciate it—however beneficial the ultimate results might be. And it cannot be denied that in the attempts to promote efficiency the Japanese often have recourse to red-tape methods which are exasperating not only to the Chinese but also to many foreigners.

No railway in China has ever been run with the efficiency of the South Manchuria line. No Chinese-owned colliery has ever been operated with the efficiency that characterizes every department of the Fushun Collieries. When one visits the new Capital and compares the broad well-surfaced streets of the Japanese Concession with the almost impassable thoroughfares in the Chinese quarter of Changchun one really wonders how it can have been possible for this constant evidence of the advantages of good roads to have been ignored for all these years by the local Chinese authorities. Chinese resentment of discipline and opposition to efficiency are evidenced by the difficulties now being experienced in reorganizing the Manchukuo Army. One would have expected increased pay, regularly given, to have won a measure of loyalty among the military units that have accepted service under the new Government. (It has, I understand, had that effect upon the Mukden Police). But higher and more regular pay does not appear to be regarded as compensation for the stricter discipline to which the units are subjected. And the Japanese and Manchukuo authorities both confess that military reorganization is a problem of extreme difficulty which it may take years to carry through.

CHINESE RESISTANCE

In almost every direction the new regime, sponsored by the Japanese, will encounter passive, if not active resistance. Take but one example—stabilization of the currency. Desirable as this reform is, beneficial as it must prove to the population of Manchuria if it can be made effective, it will meet with the strenuous opposition of the numerous exchange shops, and banks—powerful vested interests that derive the greater part of their income from fluctuations in the exchange rates between the different currencies.

The finding of the Lytton Commission that "the present regime cannot be considered to have been called into existence by a genuine and spontaneous independence movement" is incontrovertible. But there are elements in Manchuria which favour the new regime, and others which may abandon their hostility if reasonable progress be made towards the restoration of order. With these I shall now deal.

It would, I think, be justifiable to assume in Manchuria as in China Proper, that the bulk of the peasantry—in so far as they have not been influenced by Kuomintang propaganda—remain indifferent to the actual form of government provided that they are not subjected to extortionate taxation, or to the terrors of banditry or licentious soldiery. The Manchurian population has been less affected by Kuomintang propaganda than that of most of the Chinese provinces. In South Manchuria, however, a good deal of anti-Japanese feeling has been created by the constant friction between the local farming population and Korean immigrants.

Nevertheless, it would hardly be an exaggeration to assert that the bulk of the illiterate peasantry in the new State may be regarded as potential neutrals. They are not pro-or anti-Japanese or Chang Hsueh-liang. They only want to be left in peace to pursue their lawful avocations.

A MONARCHICAL GROUP

There is, however, an element in Manchuria that is definitely monarchical in sentiment, and if not pro-Japanese is predisposed to favour any regime over which a Ching Emperor presides. This element consists mainly of the original Manchu and Mongol families, and the Manchu, Mongol and Chinese Bannermen and their descendants. I have been given various estimates of the number of these monarchists. One authority placed it at seven millions. But the basis of this calculation, on analysis, proved to be that as there were five million Bannermen in Manchuria before Chinese emigration was permitted it was now safe to assume that their number had increased to seven millions. This estimate, therefore, cannot be accepted as conclusive. On the other hand, there can be little doubt that considerable numbers of Mongols, especially in the Barga region, favour the reinstatement of Mr. Pu Yi, not merely as Chief Executive, but as Emperor. Whether they really approve of his maintenance in power by Japanese bayonets, is, however, an open question. I had

only limited opportunities of discussing the situation with any Manchus. And the impression I derived was that they regarded Japanese support as a necessary, but temporary, expedient. They have more ambitious dreams than the restoration of the Monarchy in the ancestral provinces of the Ching Dynasty. They anticipate that at no distant date the Emperor will once more hold sway in Peking.

THE OPPOSITION

The main opposition to the new regime at the moment comes from the merchants, politicians, and the old militarists. The merchant class may eventually be won over, if order can be restored, and trade can be carried on without oppressive taxation, on the basis of a stable currency. In the earlier part of this year, so I have been told, there was considerable sympathy with the independence movement in Chinese commercial circles. There was a disposition to believe that once the Japanese took matters seriously in hand, the elimination of banditry and civil strife would only be a matter of a few months. The fact that the internal situation has grown steadily worse—rather than better—has caused a revulsion of feeling. The merchants are now sceptical of the ability of the Japanese and Manchukuo forces to restore order within a reasonable period. And they are suffering acutely from the dislocation of transport, and the paralysis of trade.

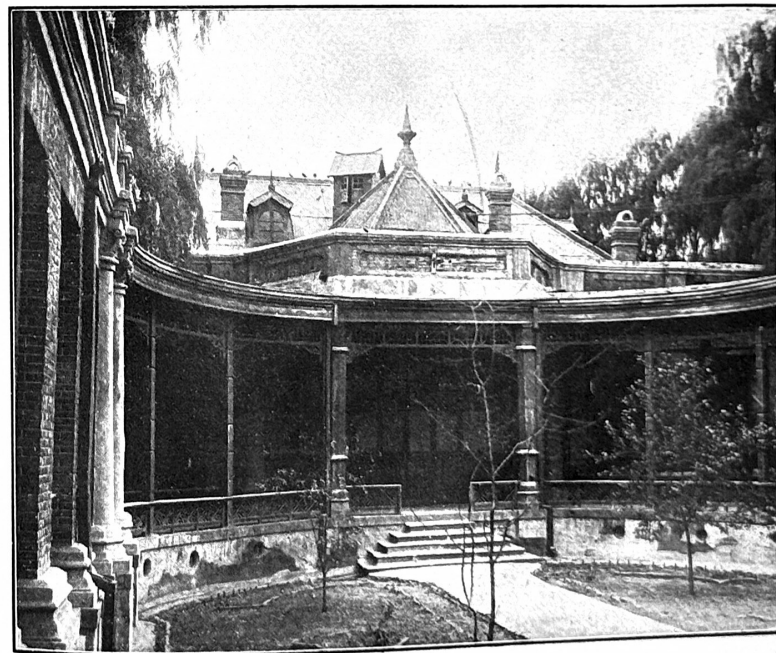
To regain their confidence, once it has been forfeited, will not be an easy task. Deeds, not words, will be the only test which will convince them in the future.

THE "WANG TAO" DOCTRINE

The rulers of the new State are seeking to establish it not upon democratic, but upon Confucianist principles. Both the Chief Executive and the Prime Minister emphasized that *Wang Tao*, which is translated as the "Doctrine of Royalty" was to form basis of the new regime. The Prime Minister wrote an essay upon "The Essential meanings of *Wang Tao*" some three years ago, a translation of which he handed me. It is an idealistic doctrine. It disclaims nationalistic and militaristic sentiments. It seeks to achieve the welfare of the nation by the virtue of its rulers. It cites as examples those ancient rulers who felt that if anyone in the Empire were drowned, or if anyone suffered hunger, they were personally responsible.



Office of State and Privy Councils and Foreign Ministry.



Office of the Premier, Manchukuo Government.

The sincerity of Mr. Cheng Hsiao-hsu, the Manchukuo Premier, I never heard questioned. He has a record for integrity, loyalty and self-sacrifice that even his political adversaries admire. And there is little doubt that his ideals find an echo in the hearts of many of the conservative elements in China.

A MANDATE FROM HEAVEN

But it is open to doubt whether having once embarked upon the experiment of a Republic, with the necessary corollary that, in theory at least, the authority of the Government springs from the people, even Manchuria can turn back to the older theory that government is the prerogative of the virtuous, who derive their mandate not from the people but from Heaven. In spite of the high percentage of illiteracy that still prevails, the past twenty years have witnessed a growth of political consciousness throughout China that cannot now be eradicated. A constitutional regime of some type, in which the authority of the people receives due recognition, must now be regarded as a *sine qua non* in the future of China and of Manchuria, unless a military dictatorship can be enforced. The *Wang Tao* doctrine precludes the latter alternative as long as Mr. Cheng Hsiao-hsu is in office. The Japanese, of course, may have different notions.

To sum up, then, there is little enthusiasm for the new Manchurian regime outside limited monarchist circles. There is sullen opposition to it on the part of the mercantile, political and militarist elements. And the only hope, it seems to me, of a reaction in its favour lies in the realization that nothing will deflect the Japanese from their present policy, and that the native population must be the chief sufferers from continuous activities of bandits, volunteers, and other anti-Manchukuo elements, and from acts of sabotage and destruction, which, however much they may embarrass the Japanese, inflict infinitely greater injury upon the farming and merchant population of the new State.

CHAPTER XXI

THE JAPANESE ATTITUDE.

One cannot spend even a few weeks in Manchukuo without being impressed by the unanimity of opinion and purpose of the Japanese, whether they are officials or civilians. The development of Manchukuo as an independent State under Japanese auspices has now become virtually a religion with them. They are almost fanatical in their professions of hatred of the old regime, and of optimism regarding the new. Any attempt on the part of a foreign observer to adopt a detached and impartial viewpoint is obviously resented. One gets the impression when talking with the Japanese that their view is that "he who is not for us is against us" and that criticism of some of the obvious defects of the new State is an unfriendly act.

With what I was afterwards informed as considerable audacity I ventured to suggest to one of the most prominent Japanese officials that his nationals in Manchukuo were practising autohypnosis of the Coué type, on an unprecedented scale: that it appeared to me that every Japanese in Manchuria went to sleep nightly repeating "Every day and in every way I am more and more convinced that the thirty million oppressed inhabitants of Manchuria look upon us as liberators." But this way of putting it cannot really be far from the truth, though no evidence to the contrary that could now be adduced would be taken seriously in any Japanese quarter.

EPHEMERAL PHENOMENA

The facts that not a single railway except the South Manchuria main line is now operating trains at night, that many of the Manchurian lines (including the main-line of the Chinese Eastern Railway) cannot function at all, and that North and South and East and West disorders of unprecedented gravity are reported almost daily, do not appear to affect the determination or the confidence of the Japanese. They dismiss these phenomena as ephemeral, as the inevitable accompaniments of the transition phase. They profess to expect them to yield to military and political action in the near future, and still talk with the utmost assurance about the new paradise that will emerge from the present chaos.

If it is suggested that the grievances—admittedly serious—which prompted Japan to adopt a positive policy did not justify action so widespread and so drastic as ensued after September 18, 1931, the Japanese cite the Soviet menace as further and complete justification. Would I rather, I was asked on one occasion, see Manchuria become a Communist State or an independent State with Japanese support? And when I suggested that these were not necessarily the only alternatives my reply was received in frigid silence.

"J'Y SUIS; J'Y RESTE"

On another occasion I was told that if it came to the worst, Japan, like Carthage, would put men, women and children into battle rather than abandon her present policy in Manchuria. That may be an exaggeration, but I am convinced—if the attitude of the Japanese in Manchuria reflects that of their countrymen at home—that they would endure almost incredible sacrifices to "liberate" Manchukuo.

As far as I can judge, the only means by which Japan could be compelled to abandon her present policy would be by an overwhelming military defeat, or by a domestic economic crisis so grave that she could not find the funds to maintain her military forces in Manchuria. No Power or group of Powers, is likely to go to war to eject the Japanese from Manchuria. And a withdrawal in consequence of financial stringency would be an appalling disaster. One can only dimly imagine the state of utter chaos that would precede and follow such a step, and the hopelessness of restoring peace and order for an indefinite period, if Japan's armies withdraw.

FUTILE RESISTANCE

Convinced as I am that Japan is in Manchuria to stay, I cannot see that any useful purpose is served by encouraging the remnants of the regular, and the numerous irregular, forces to continue their resistance. Unless it is intended to support them with regular military units from within the Wall the struggle must be regarded as hopeless, while its effects upon the Chinese population will be disastrous. What is mainly an embarrassment to, and a cause of additional expenditure on the part of, the Japanese is making life into a veritable hell for the Chinese population. A few more months of such suffering and chaos may well have the effect of rallying the peaceful Chinese elements to the support even of the Japan-

ese, as the only means by which peace and order can be restored. They may not take kindly to Japanese policing, but they may well prefer it to no policing at all.

Most foreigners in Manchuria entertain no illusions as to the permanence of the Japanese military occupation; what they ask themselves is how long Japan with her present—or augmented—military forces will take to restore peace and a reasonable measure of security, throughout the territory of the new State. On the face of it an Army of occupation of thirty to forty thousand troops, supplemented by 120,000 unreliable Manchukuo forces, must appear inadequate for the suppression of "bandit" forces admittedly over 200,000 strong, in a territory of nearly 400,000 square miles. It is a task incomparably more difficult than that undertaken by the British in South Africa, when the Boers fell back upon guerilla warfare.

NO ANNEXATION

Most responsible Japanese with whom I discussed the situation repudiated any intention of annexing Manchukuo, or converting it into a Protectorate, and gave emphatic assurances regarding the maintenance of the Open Door policy. But one cannot help wondering whether, even if these statements represent their considered opinion today, circumstances will not prove too strong for them, and they may not find themselves compelled to discard the present Manchukuo Government and introduce an avowedly Japanese regime.

The artificial basis on which the present Government has been established is hardly calculated to produce stability. General Ma Chan-shan is not the only highly placed Manchurian official who has professed allegiance to the Government, only to turn against it at the first favourable opportunity. And even the Japanese authorities must have their tongues in their cheeks when they meet foreign complaints of bandit and other outrages with undertakings to use their influence with the Manchukuo Government to secure redress!

ON THEIR METTLE!

Even if the Chinese continue to resist and to harass the Japanese, the Foreign communities in Manchuria will be wise to continue their present circumspect attitude. They have nothing to gain—

and everything to lose—by identifying themselves in any way with opposition to Japan. The more experienced of them, at any rate, must realize how sensitive the Japanese—especially the military authorities—are at the present juncture, and how easy it is for them by overt or even indirect action to make things uncomfortable for unfriendly foreigners.

The Japanese militarists today feel that they are on their mettle. A policy for which they are responsible is being implemented, and they have every intention of making good. They will not be deflected therefrom by Chinese opposition, or foreign criticism; both are likelier to have the effect of making them more intransigent. Unless the civilized world, or a substantial portion of it, is prepared to fight Japan for the control of Manchuria, the only possible policy is to await the outcome of this dangerous Asiatic experiment. If it succeeds the results are on the whole likely to prove beneficial in a material sense to the Manchurian population. If it fails, Japan as well as Manchuria will be ruined for a generation or more to come. But whether it succeeds or fails it is incumbent upon China to concentrate her energies upon the rehabilitation of the territory that remains under her sovereignty. She cannot afford to dissipate her energies in futile attempts to reconquer Manchuria either by regular or irregular forces. If she can only put her own house in order she can afford to wait for a solution of the Manchurian problem. The Japanese cannot. They are committed to an experiment from which they cannot now withdraw. And it is they, not the Chinese, who will be gambling on what the future has in store.

A TRAGEDY

The present situation is a tragic one—for both parties. No one familiar with the potentialities of Manchuria can fail to recognize what might have been achieved by a policy of Sino-Japanese cooperation instead of one of mutual antagonism. It is futile at the moment to talk of such cooperation. But even if the Governments at Nanking and Tokyo remain at arms' length it is clear that the success of Japan's policy must, in the end depend upon her gaining the goodwill and confidence of the Manchurian population.

Nanking may for the moment have lost its shadowy sovereignty over the Three Eastern Provinces. But they are not lost to the

Chinese! They are and must remain the overwhelmingly preponderant population of the State, whatever form its Government may take. In the last resort—though it may not be for fifty years or more—it will be they who will determine the allegiance of Manchuria; to Japan, to China, or to a Government of their own choice.

CHAPTER XXII

BANDIT OUTRAGES.

During my two brief visits to Mukden the Newchwang outrage was the chief topic of discussion in foreign circles. It was absorbing the attention of the British Consul-General, through whom representations regarding the safety of the captives were transmitted to the Japanese High Command. And the correspondents of British newspapers and agencies (interest in the affair appeared to have waned in America) were in daily touch with Newchwang by telephone, and made frequent hurried visits to the port when messages from the bandits' camp were expected.

No outrage of which British subjects have been the victims has stirred up so much interest in the home papers for many years. Not even the Nanking outrage of March, 1927 received so much publicity in the London journals. The fate of the young British Bride made a special appeal to British readers, and, in fact, was made an excuse for a newspaper stunt which might have had very serious consequences, both for the two captives and for other foreigners in Manchuria. The *Daily Mail's* liberal offer, had it become widely known in Manchuria, might well have contributed to the establishment of a new industry!

NO SEX EQUALITY

The manner in which the Newchwang outrage was dealt with by the British Press seems to me to prove very conclusively that the day of complete equality of the sexes is still very remote. In spite of the influential position occupied by Mr. Corkran's father, it may be doubted whether the London papers would have taken a continuous interest in the outrage had he and Mr. Mackintosh been the victims, and Mrs. Pawley had escaped. It is perhaps, natural that the misfortunes of a young and pretty woman should attract more attention than the fate of up-country missionaries, or of a British lighthouse-keeper at Swatow. But the obvious lack of perspective shown by the British Press on this occasion puzzled the Japanese. They wanted to handle the case in the same manner as they dealt with kidnapping affairs in which their own nationals

were involved. And they were for some time extremely reluctant to abandon pursuit of the bandits, or to entertain any pledges of immunity where they were concerned.

The Japanese military authorities were open to considerable criticism for their inactivity when the outrage was first reported. It was soon evident that the bandits must be making for, and would have to cross, the railway, and it was generally understood that the local Japanese garrison had taken the necessary precautions to prevent this eventuality. But the railway was not adequately patrolled, and it was this lack of action which enabled the bandits and their captives to get clear away into the inaccessible locality to which their victims were taken.

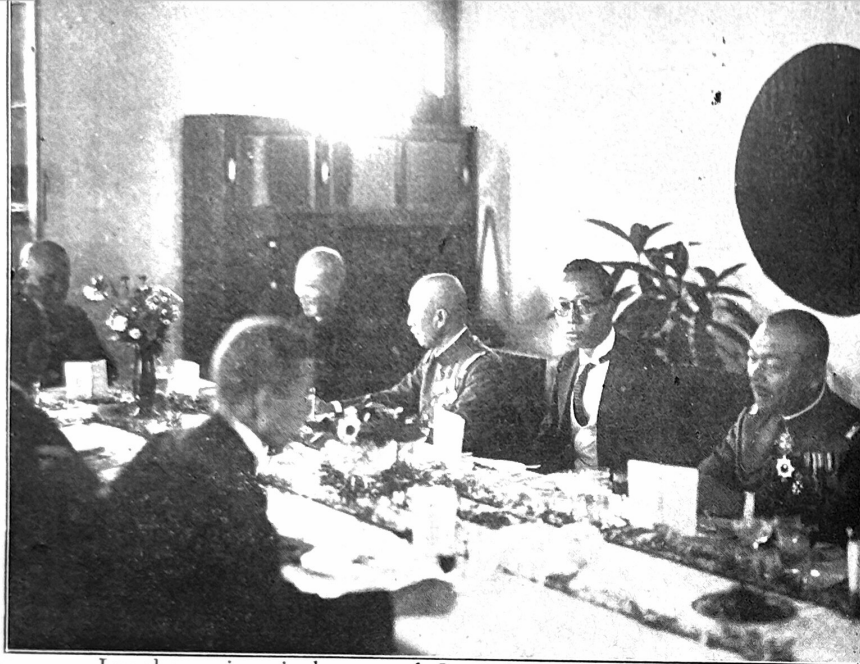
A BASELESS SUPPOSITION

There was, at first, a disposition in some quarters to regard this particular kidnapping as having been inspired by the Peiping authorities for the purpose of discrediting the Japanese. No-one on the spot, however, now favours this theory. The crime appears to have been committed by an ignorant and brutal brigand—so ignorant indeed that for some time his demands were of a nature that could not possibly have been conceded without the certainty of the capture of himself and his band. Kidnapping of Chinese has been a common occurrence in the Newchwang district, and there appears to be a recognized procedure for dealing with it. Certain middlemen act as intermediaries, and a short process of bargaining usually results in the liberation of the captives. In the Corkran-Pawley case, however, the middlemen appear to have been frightened off by Japanese activities, and this added to the difficulty of keeping in touch with "Lao Pei-feng," the Bandit chief.

When I saw the Young Marshal in Peiping he himself raised the question of the Newchwang kidnapping, and stated that owing to the fact that the bandit chief had throughout used a *nom de guerre* ("Old North Wind") it had been impossible to establish his identity. It seems improbable, on the face of it, that the captives would have been released when the Japanese really took an active part in the negotiations, if their capture had been designed to reflect upon them.

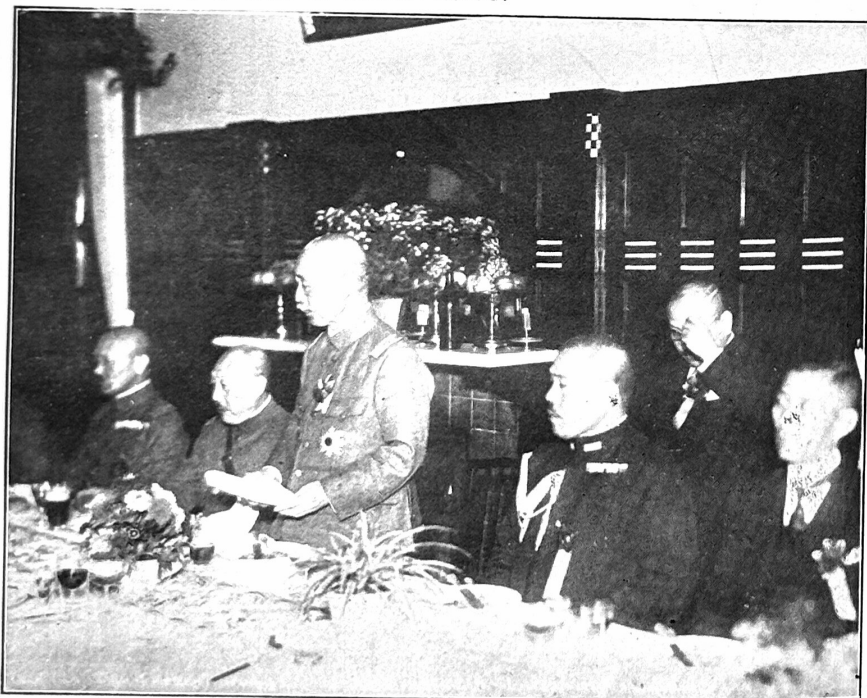
A DEFINITE POLICY

When an outrage of the kind has occurred all efforts are naturally concentrated upon the liberation of the victims. But in



Luncheon given in honour of General NOBUYOSHI MUTO, Japan's first Ambassador Extraordinary and Plenipotentiary to Manchukuo, on September 15, 1932, following the signing of the Protocol.

Left to right: Premier CHENG HSIAO-HSU of Manchukuo, General NOBUYOSHI MUTO, Chief Executive PU YI, and Lt.-General K. Koiso, Chief of Staff to General MUTO.



Dinner given in honour of the Chief Executive by General NOBUYOSHI MUTO, on September 15, 1932. General Muto is seen

Manchuria, as in China Proper, it seems imperative once and for all to lay down the principle that no ransoms will be paid for foreign victims. It might conceivably cause some hardship in individual cases (though the Nelson case suggests that even the payment of ransoms is futile) but if the official reply to every such demand were that under no circumstances would the foreign governments concerned participate in any negotiations for the payment of a ransom, the kidnapping of foreigners would cease to be a potentially lucrative occupation.

The best time to lay down this principle is when no individual victim is in peril. It is difficult, if not impossible, to put it forward when anxious relatives are besieging the Foreign Offices, and stirring up the Press to agitate for the release of those dear to them. But it would, I think, help to put a stop to the kidnapping of foreigners if the leading Powers formally notified the Chinese Government, and informally notified the Manchukuo and Japanese authorities, that no demand for a ransom in any form would receive any consideration, in future. Mr. Melhuish's first act, after his escape from would-be kidnappers on the Harbin Golf-Course was to advertise in the Chinese and Russian papers that under no circumstances would any ransom be paid for any member of the staff of the Hongkong & Shanghai Bank.

JAPAN. AND HARBIN

The full details of the Woodruff outrage at Harbin, which were published in the local papers in the latter part of last week, fully bear out my statements regarding conditions in Harbin. A number of foreign residents have sent their wives and families away since this atrocious crime. But the matter ought not to end there.

Kidnappings of Russians and Chinese had been frequent in Harbin for many months past, and have passed almost unnoticed by the outside world. Only when an attack has been made upon two Britons on the Golf Course, and an Englishwoman has been murdered in broad daylight, has the gravity of the situation been realized abroad.

The Japanese cannot escape some measure of responsibility for the present state of affairs in Harbin. And it is to be hoped that the Woodruff case will at least constrain them to support the request of the other Foreign Consuls for more adequate police protection. It is, I think, no secret, that when the Consular Body

urged the employment of 600 White Russians in the Police Force with a view to more efficient protection of life and property, the Japanese authorities opposed the request, and expressed indignation regarding this "unwarranted" interference with the local officials. The murder of Mrs. Woodruff completely vindicated the action of the Consular Body. And continued opposition on the part of the Japanese to the reorganization of the Police will hardly support their contention that Manchukuo is to be made into a "paradise" for foreigners and Chinese alike. They unquestionably have the influence, if they choose to use it, to compel the local authorities to reorganize the Harbin Police Force. And it is difficult to see what advantage they can derive from tolerating a state of affairs which is making Harbin a byword throughout the Far East for lawlessness and violence.

CHAPTER XXIII

THE OUTLOOK.

I have endeavoured in this series of articles on Manchukuo to give a faithful picture of conditions as I found them during my month's stay in the country, supplemented by reports of interviews with the leading Manchukuo and Japanese officials, and information given to me in various quarters, official and unofficial, Foreign and Chinese.

I shall not have achieved my purpose if I have not made it plain that Manchuria today is very far from being the Paradise which it is the avowed purpose of the Japanese to make it. Nor, I hope, have I failed to emphasize the innumerable difficulties that confront the rulers and sponsors of the new State. It remains only to sum up my impressions of the present and future of the Manchurian problem.

DIFFICULTIES AND PROGRESS

It is still, it seems to me, an open question whether the Japanese will be able to make good their promises regarding the future of Manchukuo. At the moment they, and the Government they are backing, are beset with difficulties, financial, administrative and military. There is as yet no indication that they have begun to enlist public support. In many directions they are encountering active opposition: in others the attempt to bring the new State into being is being watched with sullen scepticism.

But despite these factors some progress is being made. The financial outlook for Manchukuo is improving. A definite attempt is being made to work on a budget system, and to reduce and unify taxation. Some improvement too, has been effected in the currency situation, and the position of the Central Bank of Manchukuo is certainly more satisfactory than that of the various Provincial Banks which it has absorbed.

In other directions progress may be looked for as the Japanese military consolidate their position. This is especially the case with the railways which, under unified and more efficient management, can undoubtedly be placed upon a paying basis.

INADEQUATE FORCES

To the lay observer, and also, I believe, to foreign military experts, the forces which have been placed under the Command of General Muto for the pacification of the country appear to be numerically inadequate. They have to be scattered about in small detachments, in isolated positions, and are constantly in peril of being cut off, surrounded and annihilated. The extensive use of military aeroplanes may appear to some extent to offset this disadvantage. It has often saved isolated Japanese detachments from annihilation. But it has the drawback that it makes new as well as destroying old enemies. Bombing machines cannot be employed without causing loss of life among many innocent people. They may terrorize, but they do not win the goodwill of, the local population.

Some observers there are who believe that much of the opposition of the former Manchurian armies would disappear if the Chief Executive formally assumed the style of Emperor; that while they are willing to fight and harass the Japanese, they would not participate in efforts to overthrow a Manchu ruler. It is impossible for a casual traveller to ascertain to what extent the Manchurian population and militarists are monarchical in sentiment. But there is no doubt that many of the entourage of Mr. Pu Yi favour the restoration of his Imperial title, and regard it as the first step towards his reinstatement on the Dragon Throne in Peking.

MANCHUKUO TROOPS

At the moment the attempt to create an efficient and loyal Manchukuo Army is meeting with almost insuperable difficulties. The Manchurian Army, despite the enormous sums spent upon it, despite the fact that it was supplied with arms and munitions from one of the largest Arsenals in the world, has never been a good fighting force. It has made a very poor showing in its campaigns within the Wall, and it gave a ludicrous exhibition during the Soviet invasion in 1929. Attempts to stiffen it with a backbone of Japanese Officers and N.C.O.'s have so far met with very questionable success. Considering the phlegmatic disposition of the Northerners, it is surprising that the Manchukuo forces have not displayed greater powers of resistance during the past few months. Both Japanese and Manchukuo officials recognize that the creation of a well-disciplined loyal Army is not going to be an easy task.

On the other hand, the power of resistance of the anti-Manchukuo forces seems destined from now onward steadily to diminish. They have no source of supply for arms, munitions, or clothing other than the capture of these necessities from their enemies. Failing supplies of weapons and munitions from the Soviet, which are unlikely, they must soon be driven to desperate straits. Guerilla warfare will become more and more difficult to carry on, as the months go by.

A STUPENDOUS TASK

But a policy of attrition, if that is what the Japanese elect to pursue, will be a long and costly process. Regular supplies of arms and munitions are not essential to enable small bands of marauders to burn railway bridges, tear up railway tracks, and harass and isolate small Japanese detachments in outlying posts. If, as one is forced to believe, the Japanese intend to stay in Manchuria, whatever Geneva or any of the Treaty Power Governments may have to say, surely the most economical policy in the long run would be to employ adequate forces to restore order without delay. At present they convey the impression that they are trifling with the military problem, especially in the Chinese Eastern Railway Zone. To rid Manchuria of Hunghutzes—mobile bandits who can retreat to inaccessible forest and mountain—is a police rather than a military problem. But the rounding up and suppression of organized military forces—regulars or irregulars—ought not to be beyond the capacity of the Japanese Army, if numerically adequate forces are employed. In a territory seething with disorder, with an estimated population of thirty millions, little can be accomplished with an Army of less than 40,000. There are 3,800 miles of railways in Manchuria. The present Japanese garrison could only furnish ten men to guard each mile of railway, leaving out of consideration the garrisoning of large towns and of points remote from the railways.

CHINESE REPRISALS

I shall venture upon no prophecies in regard to the future. Much must depend upon Japan's relations with the Soviet. Her task would be considerably simplified if she were relieved of any apprehensions regarding Russia's attitude towards large-scale military operations on the main line of the Chinese Eastern Railway.

If the Lytton Report is definitely and finally rejected as a basis of settlement by Tokyo, the pacification of Manchuria is a task which may absorb all Japan's energies and a great part of her resources, for a decade or more to come. And until it has been accomplished there will be continuous risk of an extension of the present conflict to China Proper.

China has for the moment and very wisely disclaimed any intention of attempting to recover Manchuria by military operations. But it is an unfortunate fact that the reprisals which she is adopting in protest against the establishment of the new State are calculated to inflict greater injury and suffering her own nationals than upon the Japanese. The latter will suffer less than the people of any other State from the Customs procedure and the postal ban, decided upon by Nanking. Refusal to transmit mails to Manchuria addressed to places outside the Japanese railway zone must inflict intense suffering upon Chinese in the Three Eastern Provinces who have relations in, or business connections with, China, and vice versa. The wisdom of China's punishing its own countrymen in retaliation for the actions of the Japanese, is open to question. Is it really the best method of retaining the loyalty of the Chinese population to their own country?

CHAPTER XXIV

THE LYTTON REPORT

The Report of the Lytton Commission has dealt exhaustively with the causes leading up to and the actual details of Japan's military occupation of Manchuria. Members of the Commission were in a position to obtain and to sift voluminous evidence which would not, of course, be available to an unofficial observer. And so far as I can judge from my necessarily restricted inquiries on the spot, the Commission performed its task with great ability and the utmost impartiality. Errors in detail there may have been in portions of the narrative. But they are not of sufficient importance to affect the main issues. The Report is an historical document of the utmost value, and no quibbling over minor errors will affect its authenticity.

The final Chapter on "Principles and Conditions of Settlement" was, of course, written before the formal recognition of Manchukuo by the Japanese Government, and in the futile hope that this step would not be taken before the Commission's recommendations had been received, and discussed, at Geneva. Japan's recognition of the new Government was, intended to forestall action on the Commission's recommendations, whatever form they might take. The League was to find itself confronted with a *fait accompli*, from which there was not the remotest possibility of Japan's receding.

A MENACE TO PEACE

In the present temper of the Japanese, especially the Militarists, attempts on the part of the League to impose a settlement in accordance with the recommendations of the Lytton Commission must be doomed to failure, and may, indeed, do more harm than good. One cannot reason profitably with a fanatic, and on the subject of Manchukuo nearly every Japanese, to-day, is fanatical. There is little doubt that the entire nation would unite to resist by force, any attempt to implement the Lytton proposals. In the eyes of every Japanese patriot any solution that implies restoration of Chinese sovereignty either in name or in substance, is unthinkable. Whether they approve or disapprove of Japan's actions, therefore, the Powers will have no choice but to let her have her head for

the time being. If she makes good, if she succeeds in pacifying this enormous territory and introducing the reforms which are necessary to ensure the security and prosperity of the population, the last state of Manchukuo will certainly be better than the first.

But the Manchurian problem will remain a menace to the peace of the Far East until Japan and China, and Japan and Russia, have come to some definite agreement regarding the future of the new State. A Russo-Japanese agreement does not appear so remote as an Sino-Japanese understanding. Even if Japan were willing to accept the Lytton recommendations it seems doubtful whether China could be prevailed upon to do so. And the prospects of China's recognizing the independence of Manchukuo, and the status of the Japanese in the new State for the moment appear hopeless, I can think of no basis of compromise which the Japanese would be willing, or the Chinese Government could dare, to accept.

LIABILITY OR ASSET

But if this state of undeclared war continues indefinitely, it must be disastrous to both countries. China can survive as a nation without the immediate restoration over Manchuria of a sovereignty which has never existed in aught but name since the late Chang Tso-lin first came into power. Japan is convinced that her national existence is bound up with her present Manchurian policy. Time alone can show whether she has in Manchukuo, assumed a liability or an asset. But for the moment it should cease to be a Chinese liability.

A perusal of the Lytton Report must convince readers in Europe and America that most of the views attributed to the so-called "foreign diehards" in this country were not without justification. Chinese politicians may resent the Commission's strictures upon the xenophobia of the Kuomintang regime. But it will be difficult to rebut the statement that "having started on the road of international cooperation for the purpose of solving her difficulties, as was done at Washington, China might have made more substantial progress in the ten years that have since elapsed had she continued to follow that road. She has only been hampered by the virulence of the anti-foreign propaganda which has been pursued. Unaccompanied by effective internal reforms or improvements in national standards, this attitude tended to alarm the Foreign Powers and to increase their reluctance to surrender the rights which are at the moment their only protection."

A MODUS VIVENDI

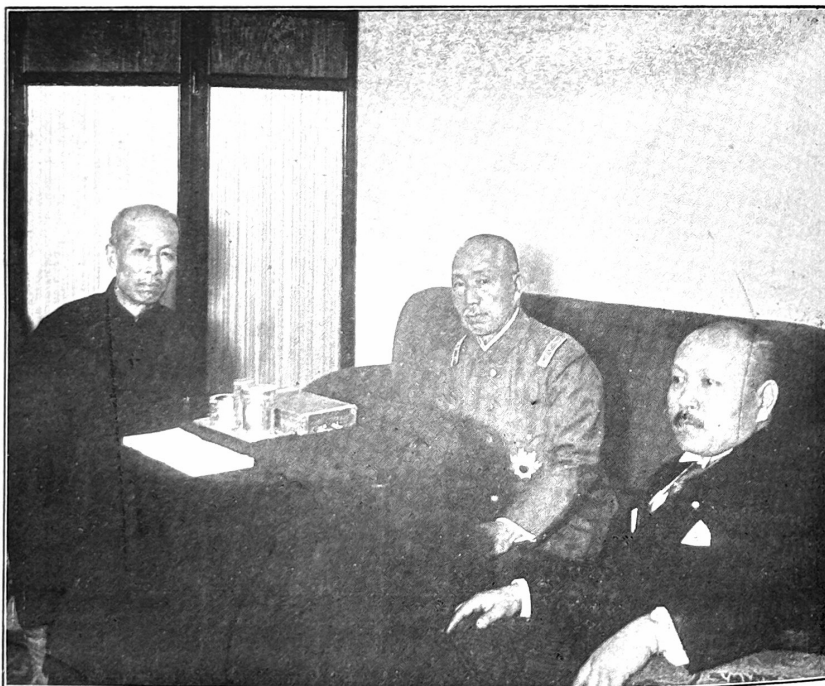
It would be absurd to suggest that China should waive her claims to Manchuria. But unless Japan capitulates to the League it is equally absurd to believe that she can enforce them, for the time being. And the only logical course, therefore, for China to pursue would seem to be to enter a formal caveat against the loss of her sovereignty over Manchuria and to reserve all her rights in connection therewith, and then to seek "without prejudice" a *modus vivendi* which will enable her Government to concentrate all of its energies upon effecting those internal reforms and improvements in national standards which are necessary to place her on a footing of equality with other nations.

She will have the more hope of realizing these aims if her Government and politicians earnestly attempt to substitute cooperation for a policy of continuous provocation. It is unthinkable that the Manchurian crisis would ever have occurred, or attained its present gravity, had the principles acted upon by the Treaty Powers at Washington been faithfully observed. It is equally unthinkable that her national aspirations, and the eventual recovery of her lost territories will be furthered by the perpetuation of virulent anti-foreign propaganda.

In her relations with the League Council and Assembly China has been favoured by the ineptitude of Japanese diplomats and propagandists. But the actual state of affairs in the country today—a civil war just over in Shantung, another in progress in Szechwan, and a definite breach threatening between Canton and Nanking at intervals of a few weeks—must react unfavourably upon her case at the seat of the League, and raise grave doubts as to the practicability of restoring Chinese sovereignty over lost provinces when the Government's authority is so often and so flagrantly defied in the Provinces over which it still claims to rule.



Signing of the Japan-Manchukuo Protocol at the Office of the Manchukuo's Chief Executive on September 15, 1932, by Mr. CHENG HSIAO-HSU, the Prime Minister and General NOBUYOSHI MUTO, the Japanese Ambassador Extraordinary and Plenipotentiary.



Meeting of the Prime Minister of Manchukuo, Mr. CHENG HSIAO-HSU, and General NOBUYOSHI MUTO, Japanese Ambassador Extraordinary and Plenipotentiary, at the Prime Minister's Office, September 15, 1932.

CHAPTER XXV

THE YOUNG MARSHAL.

On my arrival at Peiping I sought, through the good offices of a journalistic colleague, to obtain an interview with the Young Marshal. In the course of a few hours I received word that he had invited me to tea at his residence, the Shun Chen Wang Fu, at 5.30, and would send a member of his staff to fetch me. A Colonel Ung called for me about 5 p.m. on October 22, and we drove straight to the Young Marshal's residence, which I had last visited in 1927, soon after the raid on the Soviet Embassy, to interview Marshal Chang Tso-lin. I had not seen his eldest son since that year, either.

After a few minutes' waiting the Young Marshal who was accompanied by Messrs. Y. D. Shen and T. Y. Wang, senior English-speaking members of his staff, appeared, explaining that he had been delayed in returning from the Summer Palace, where he had spent the day with Dr. C. C. Wu.

FREQUENT MEETINGS

He recalled our frequent meetings in the old days in Tientsin, and expressed his pleasure at seeing me again. Marshal Chang Hsueh-liang looks much better in health than he did when I last saw him, five years ago, and his English had much improved. Much of our conversation was, in fact, carried on without interpretation.

His first question was whether I had seen Mr. Pu Yi. I replied that I had had a very long interview with him, and asked whether he was personally acquainted with the former Emperor. The Young Marshal said that he had known and entertained very friendly feelings to the "poor young man" some years back. Throughout our conversation he never displayed any bitterness towards the Manchukuo Chief Executive, though a note of acerbity crept into his voice when he asked after, or referred to any former subordinates who had taken office under the Manchukuo Government.

Marshal Chang next asked me whether I had seen Wu Pei-fu, and laughed unaffectedly when I replied "Not since he was engaged

in fighting your Father." He then plied me with questions about conditions in Manchukuo, most of which have been answered in the articles which have already appeared in these pages. He seemed amused when I stated that the new "Paradise" had not yet come into existence.

PERMISSION GIVEN

Marshal Chang then gave me permission to ask him any questions I wished. I first inquired what was the meaning of the Christian General's sudden departure from Shantung to Kalgan. He replied that it had no political significance. He was satisfied that Marshal Feng was not up to any mischief, and had complete confidence in General Sung Chi-yuan, the Chahar Commander, who was one of his own nominees. He nodded affirmatively when I suggested that perhaps if Marshal Feng had been suspected of any mischievous intentions he might not have found his journey to Kalgan unobstructed. The Young Marshal laughed at the sensational newspaper reports regarding an approaching political coup in the North, for which, he stated, there was absolutely no foundation. Owing to his absence at the Summer Palace he had not seen the text of General Han Fu-chu's resignation, but he was not inclined to take the latter seriously.

When I asked whether General Ma Chan-shan was alive or dead, the Young Marshal replied "Do you believe what I tell you?" I answered that I should of course believe him to be telling the truth.

He then stated that there was not the slightest doubt that General Ma was still alive. They received communications from him almost daily. At one time when he had a wireless transmitting set which could communicate direct with Peiping they heard from him several times a day. But this set was now out of order, and messages had to reach the old Capital by a more devious route. However, they were now coming through with fair regularity.

BANDIT PROBLEM

I suggested that perhaps it might be indiscreet to inquire exactly where General Ma was.

The reply was that if I wanted to see him, and I went to Taheiho, which could be reached via Vladivostok and Blagoveshensk, I should have no difficulty in locating him.

My next questions related to the bandit problem in Manchuria. I briefly described how the Japanese classified the various bandit groups, as outlined in my article on the subject; political; religious; hunghutze; and peasant bandits. The Young Marshal suggested that there ought to be a fifth class, namely bandits created by the intolerable oppression of the Japanese. He declared that he would not be so foolish as to countenance the system of rewards (which included \$1,000 apiece for the kidnapping of Britons and Americans) alleged to have been found in a document on the person of a bandit leader by the Japanese. "If such a document exists" he said, "let the Japanese publish a facsimile of it, and then we can prove that it is not authentic."

JAPANESE AND THE VOLUNTEERS

I next asked to what extent he was supporting the Volunteers in Manchuria. The reply was that it was not he, but the Japanese, who were supporting the Volunteers. Subsequently he stated that the considered policy of the Central Government in Manchuria had been one of non-resistance. This policy did not commend itself to certain patriotic Chinese in Manchuria and elsewhere and they were seeking to make the Japanese position in Manchuria untenable.

His personal view was that the ejection of the Japanese from Manchuria by armed force—either by Chinese regulars or by Volunteers—was not so easy a task at the moment. And when the irregulars discovered that their ability was inadequate to challenge the Japanese there was a danger that in their dilemma, they would cast in their lot with communistic activities. Indeed the action of the Japanese in Manchuria aggravated the communist peril throughout China. Because the Volunteers had some sort of military organization, it was always assumed that they were inspired and directed from outside. Marshal Chang pointed out that Manchuria had been kept in a state of turmoil by large forces of irregulars for some time after the Russo-Japanese War of 1905. This, he said, was almost a parallel for the present state of affairs out there "I have been constantly described by the Japanese as being responsible for the activities of the Volunteers now in the Eastern Provinces," he said. The Young Marshal then asked, "who was it then who directed the large forces of irregulars in 1905?" The activities of the Volunteers or irregulars, he was convinced, were of a spontaneous character. And they did not need inspiration nor support, from outside.

TANG REMAINS LOYAL

To questions regarding the position of General Tang Yu-lin, the Young Marshal replied that his loyalty to the Central Government could be inferred from several facts. First, he continued to fly the National flag. Secondly he received and acted upon the orders of the Central Government. Thirdly, he had made no secret of his intention to resist any Japanese invasion. When I suggested that the real test might be whether he would allow reinforcements from the Northern armies to enter his territory, the Young Marshal's reply was that there could no be doubt of that. It was therefore quite wrong to describe him, as the Japanese had done, as a "grey" General.

Marshal Chang went on to say that the erroneous policy adopted by the Japanese could best be illustrated by comparing the treatment of sickness before and after the Great War. In pre-war days most efforts were concentrated on curing diseases; in post-war days scientists had concentrated on preventing them. The Japanese were trying to cure instead of preventing, and the more drastic the cure they attempted the more serious the disease became.

GRATIFICATION OVER RELEASE

He admitted that the situation in Manchuria now was such that even if Chinese authority were unconditionally reinstated a long period must elapse before order could be restored. The Chinese, however, could reconstitute the Government in far less time than it would take the Japanese to reestablish order. He was convinced that the new Government of Manchukuo would not succeed. For one thing it had been unable to secure the services of men of real talent and integrity. The Japanese were most inconsistent in the charges they had brought against him. They had accused him of being a tyrant over, and oppressor of the people of Manchuria. On the other hand they held him responsible for the resistance now being offered to the new regime. They could not have it both ways. If he was the tyrant they made out then surely resistance on this scale would not be offered by Chinese who were supposed to be his followers.

The Young Marshal then referred to the Newchwang kidnapping case. He expressed his gratification at the release of the British captives, but stated that he was completely perplexed as to the identity of their captors. They had been unable to ascertain

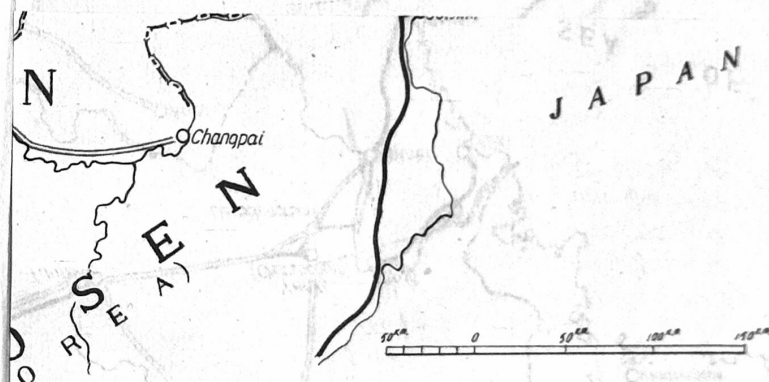
the real name of the bandit leader, the soubriquet he had adopted—Lao Pei-feng (old North Wind)—giving no clue as to his real name.

He asked me whether I had met Mr. Kinney, the victim of the train wreck South of Harbin, and when I said I had dined with him the night I arrived in Dairen, he referred laughingly to the statement he made to a Dairen paper, to the effect that the bandits responsible for the outrage were some of the Young Marshal's troops, and that "the old Marshal would at least have seen that he was allowed to retain his pants." If he knew Mr. Kinney's address, he added, he would have the greatest pleasure in sending him a new pair of pants to make good his loss. For his relations with Mr. Kinney had always been quite friendly.

Dinner time was now approaching, but in taking leave of me, and informing me that he would always be glad to see me when I was in Peiping, the Young Marshal said that although it might be true that the gathering of all the present and former military leaders in Peiping might result in some political discussions, there was no question of the outbreak of another Civil War in North China.

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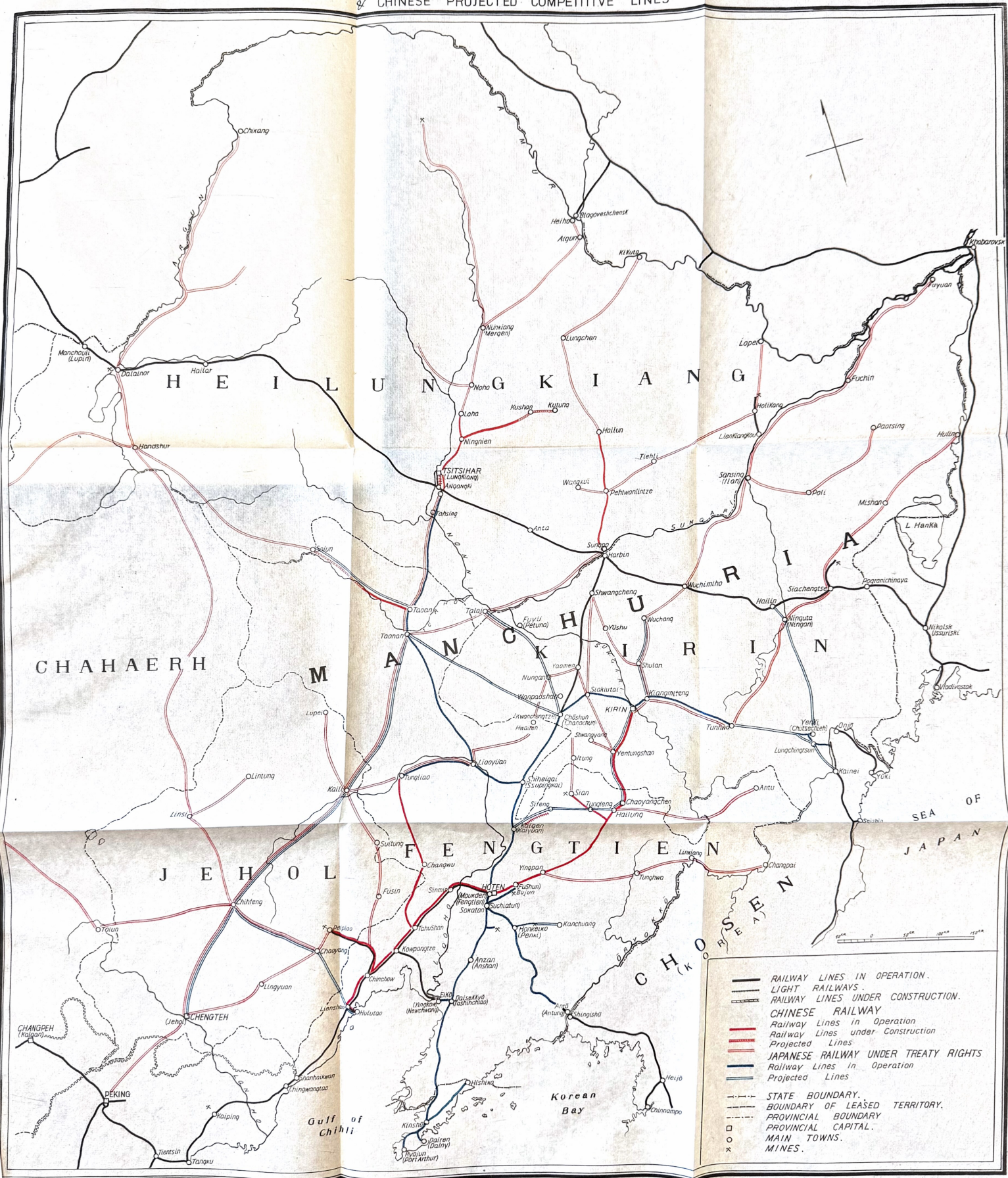
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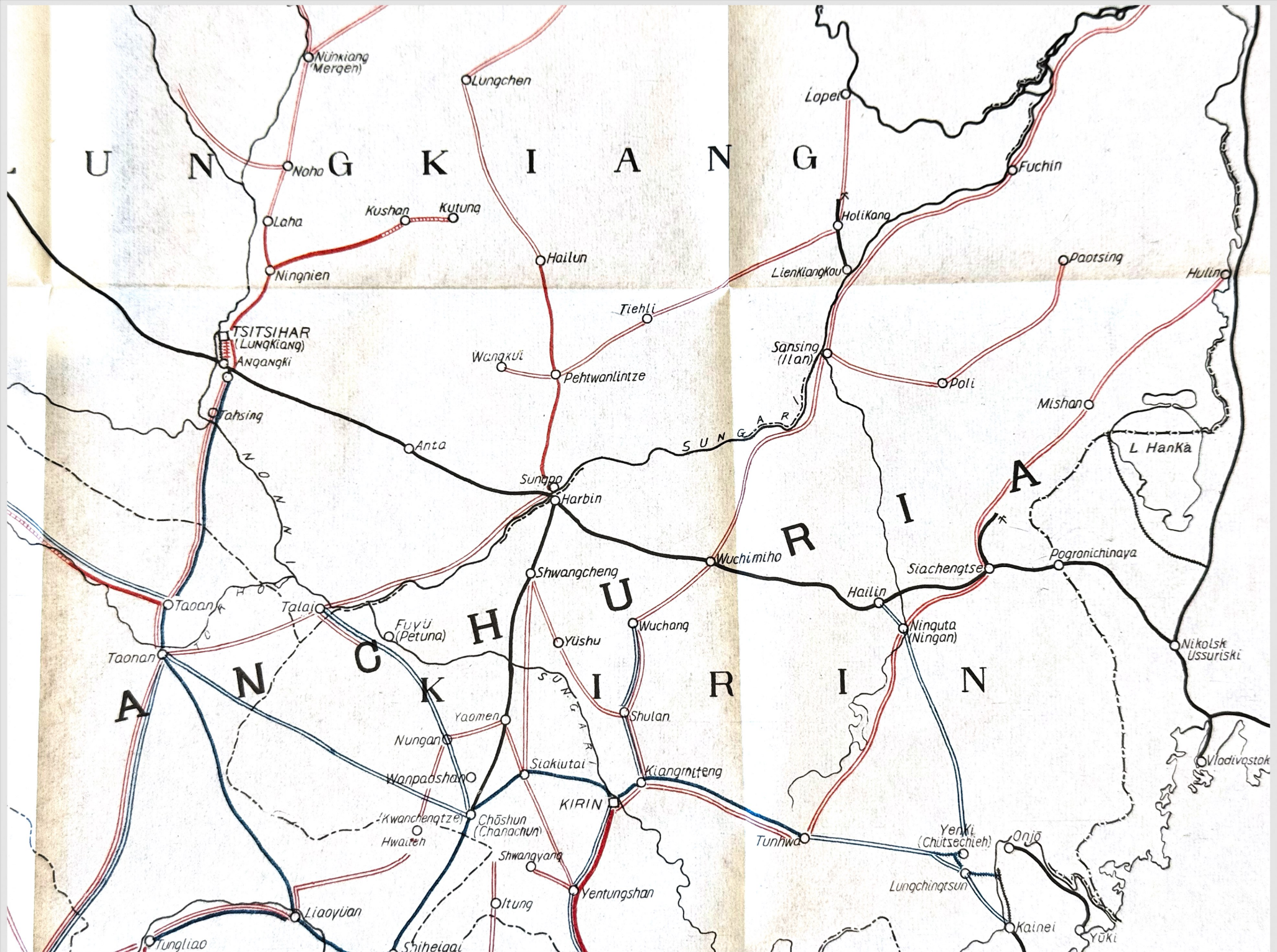


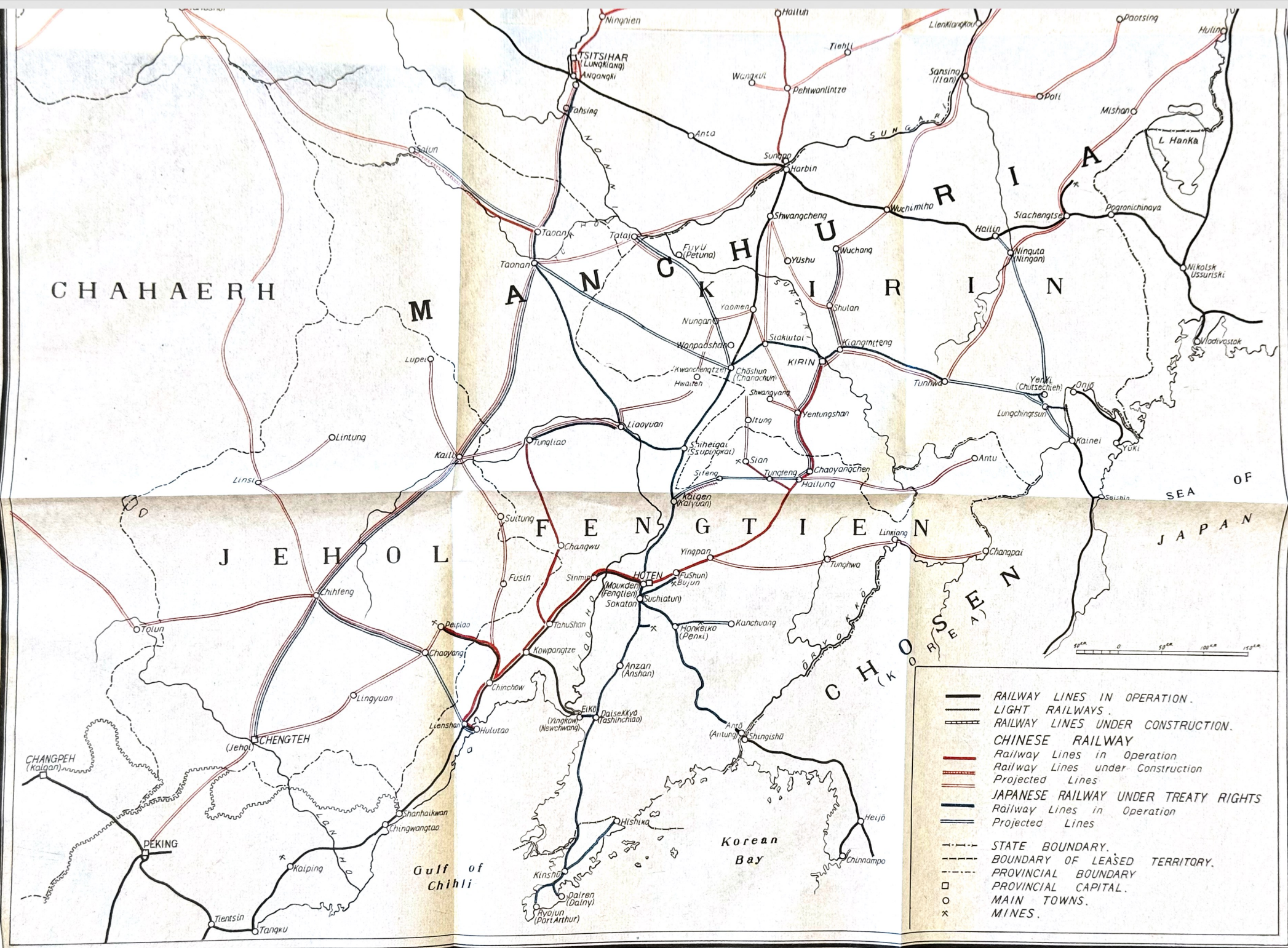
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- LIGHT RAILWAYS.
- - - RAILWAY LINES UNDER CONSTRUCTION.
- CHINESE RAILWAY**
- Railway Lines in Operation
- Railway Lines under Construction
- - - Projected Lines
- JAPANESE RAILWAY UNDER TREATY RIGHTS**
- Railway Lines in Operation
- Projected Lines
- - - STATE BOUNDARY.
- BOUNDARY OF LEASED TERRITORY.
- - - PROVINCIAL BOUNDARY
- PROVINCIAL CAPITAL.
- MAIN TOWNS.
- * MINES.

RAILWAY MAP OF MANCHURIA

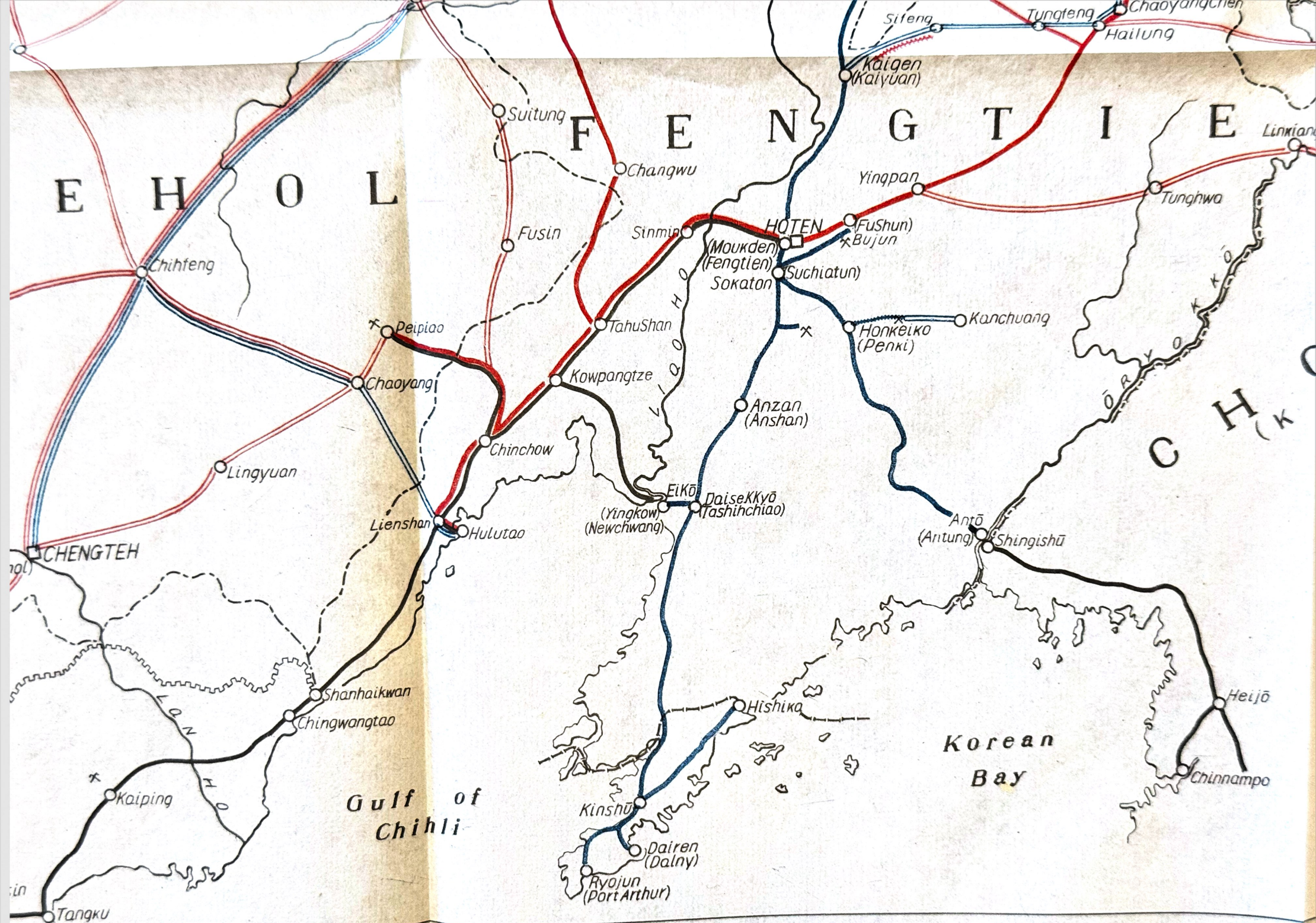
SHOWING
RAILWAYS NOW IN OPERATION AND UNDER CONSTRUCTION;
JAPANESE PROJECTED RAILWAYS UNDER TREATY RIGHTS;
& CHINESE PROJECTED COMPETITIVE LINES







- RAILWAY LINES IN OPERATION.
- LIGHT RAILWAYS.
- RAILWAY LINES UNDER CONSTRUCTION.
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- MINES.



CHOKO
YOKO

SEA



-  RAILWAY LINES IN OPERATION.
-  LIGHT RAILWAYS.
-  RAILWAY LINES UNDER CONSTRUCTION.
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